

2021

ROCK RAPIDS MUNICIPAL UTILITIES

Independent Auditor's Reports
Basic Financial Statements and
Supplementary Information
Schedule of Findings

June 30, 2021

Prepared By:

De Noble, Austin & Company PC

121 South Story Street

Rock Rapids, Iowa 51246

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ROCK RAPIDS MUNICIPAL UTILITIES

June 30, 2021

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ROCK RAPIDS MUNICIPAL UTILITIES

June 30, 2021

Officials

Name	Title	Term Expires
Randal Koll	Board of Trustees, Chairman	August 31, 2021
George Schneidermann	Board of Trustees, Vice Chairman	August 31, 2025
Rhonda Menning	Board of Trustees, Member	August 31, 2023
Jordan Kordahl	Board of Trustees, Secretary	Indefinite
James Hoyer	Utilities Manager	Indefinite
Austin, Haberkorn, Kippely & Wippert	Attorneys	Indefinite



De Noble, Austin & Company PC

CERTIFIED PUBLIC ACCOUNTANTS



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Independent Auditor's Report

To the Members of the Rock Rapids Municipal Utilities Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of the Rock Rapids Municipal Utilities, a component unit of the City of Rock Rapids, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the Utilities' basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utilities' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and adverse audit opinions.

Basis for Adverse Opinions on the Business Type Activities and Each Major Proprietary Fund

As discussed in Note 1 to the Financial Statements, Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, has not been implemented by management of the Rock Rapids Utilities. Management has not recorded deferred outflows of resources related to OPEB, the total other postemployment benefits (OPEB) liability, deferred inflows of resources related to OPEB and the corresponding OPEB expense in the business type activities and each of the

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proprietary funds. There are also no disclosures reported on the other postemployment benefits (OPEB) obligation in the Notes to Financial Statements. U.S. generally accepted accounting principles require that deferred outflows of resources related to OPEB, the total OPEB liability and deferred inflows of resources related to OPEB be reported and the corresponding change during the fiscal year to be expensed, which would increase the deferred outflows of resources, liabilities, deferred inflows of resources, and expenses and decrease fund net position of the business type activities and the proprietary funds. U.S. generally accepted accounting principles also require that certain information/data be disclosed in the Notes to Financial Statements in regards to the other postemployment benefits (OPEB) obligation. The amount by which this departure would affect the deferred outflows of resources, liabilities, deferred inflows of resources, liabilities, net position and expenses of the business type activities and the proprietary funds and the failure to report the required OPEB disclosures is not reasonably determinable.

Adverse Opinions

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinions on the Business Type Activities and Each Major Proprietary Fund” paragraph, the financial statements referred to above do not present fairly the respective financial position of the business type activities and each major proprietary fund of the Rock Rapids Municipal Utilities as of June 30, 2021, and the respective changes in its financial position and its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the governmental major fund of the Rock Rapids Municipal Utilities as of June 30, 2021, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management’s Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Utilities’ Proportionate Share of the Net Pension Liability and the Schedule of Utilities Contributions on pages 5 through 13 and 49 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Schedule of Changes in the Utilities’ Total OPEB Liability, Related Ratios and Notes, which U.S. generally accepted accounting principles accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this omitted required supplementary information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rock Rapids Municipal Utilities' basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two fiscal years ended June 30, 2020 (which are not presented herein) and expressed dual adverse opinions/unmodified opinions on those financial statements. We expressed adverse opinions on the business type activities and each major proprietary fund for the two fiscal years ended June 30, 2020, because management did not record deferred outflows of resources related to OPEB, the total other postemployment benefits (OPEB) liability and deferred inflows of resources related to OPEB in the business type activities and each major proprietary fund and, accordingly, did not record the corresponding OPEB expense. There were also no disclosures reported on the other postemployment benefits (OPEB) obligation in the Notes to Financial Statements. U.S. generally accepted accounting principles required that deferred outflows of resources, the total OPEB liability and deferred inflows of resources related to OPEB be reported and the corresponding change during the fiscal year to be expensed, which would have increased deferred outflows of resources, liabilities, deferred inflows of resources, and expenses and decreased fund net position of the business type activities and each proprietary fund. U.S. generally accepted accounting principles also required certain information/data be disclosed in the Notes to Financial Statements in regards to the other postemployment benefits (OPEB) obligation. The supplementary information on each of the proprietary funds included in Schedules 1 through 16 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. Because of the significance of not recording deferred outflows of resources related to OPEB, the total other postemployment benefits (OPEB) liability, deferred inflows of resources related to OPEB and the corresponding OPEB expense in the business type activities and each of the proprietary funds, along with not reporting disclosures on the other postemployment benefits (OPEB) obligation in the Notes to Financial Statements, it is inappropriate to, and we do not, express an opinion on the individual proprietary funds presented as supplementary information in Schedules 1 through 16.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2022 on our consideration of the Rock Rapids Municipal Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Rock Rapids Municipal Utilities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Rock Rapids Municipal Utilities' internal control over financial reporting and compliance.

De Noble, Austin & Company PC

De Noble & Company PC
d/b/a De Noble, Austin & Company PC
Certified Public Accountants

January 25, 2022

ROCK RAPIDS MUNICIPAL UTILITIES

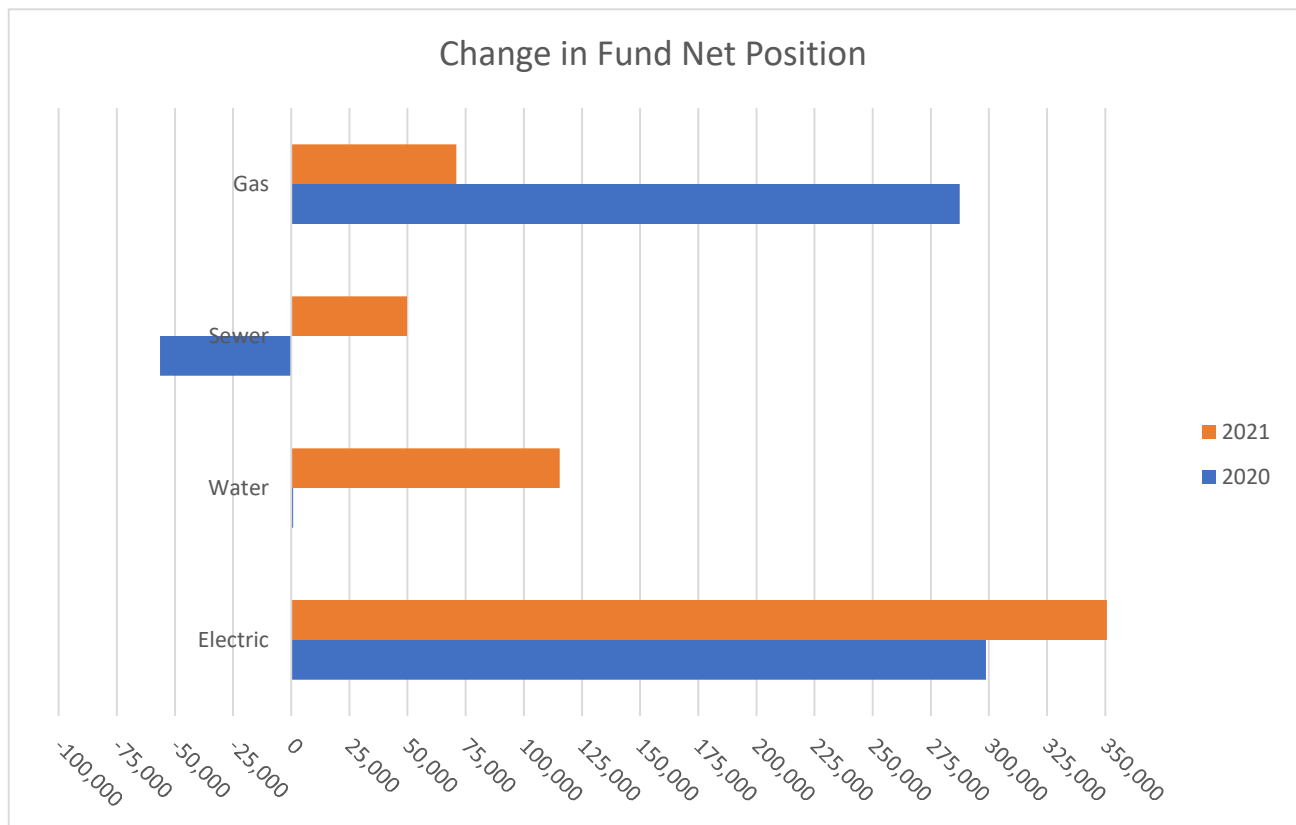
Management's Discussion & Analysis

The Rock Rapids Municipal Utilities provides this Management's Discussion and Analysis of its financial statements. The Rock Rapids Municipal Utilities is a component unit (as determined by criteria specified by the Governmental Accounting Standards Board) of the City of Rock Rapids. While the Rock Rapids Municipal Utilities is considered legally separate from the City, there is a financial benefit/burden relationship between the City and the Utilities, such that exclusion would cause the City of Rock Rapids' financial statements to be misleading or incomplete. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2021. We encourage readers to consider this information in conjunction with the Utilities' financial statements, which follow.

2021 Financial Highlights

- The Utilities' governmental and business type activities total net position increased from \$20,622,054 to \$21,221,322, a 2.91% increase of \$599,268 during the fiscal year ended June 30, 2021. The governmental activities net position increased from \$1,467,166 to \$1,474,166, a 0.48% increase of \$7,058. The increase in net position for the governmental activities during the fiscal year was due to interest earnings. The business type activities increased from \$19,154,888 to \$19,747,098, a 3.09% increase of \$592,210. The increase in net position for the business type activities was due to program revenues exceeding program expenses by \$300,707 for the utility operations, general revenues of \$69,346, Iowa VWSEMT program revenue of \$11,576, Hazard Mitigation Grant revenue of \$21,974 and a refund for transmission charges as the result of a FERC settlement of \$188,607.
- There is only one fund which comprises the governmental activities, the Revolving Loan Fund, which is classified as a Special Revenue Fund by the Utilities. Through this fund, the Rock Rapids Municipal Utilities makes ongoing investments into the community to spur local development through low interest financing loans.
- There are four utility funds which comprise the business type activities. These four utility funds are accounted for as proprietary funds, operated as Enterprise Funds, by the Utilities. The change in fund net position for the fiscal year ended June 30, 2021 for the Enterprise Funds totaled \$592,210, which compares to an increase of \$530,707 in fund net position for the fiscal year ended June 30, 2020. The change in fund net position for the fiscal year ended June 30, 2021 for each individual Enterprise Fund was as follows:

Electric Utility Fund	\$ 356,019
Water Utility Fund	115,409
Sewer Utility Fund	49,814
Gas Utility Fund	70,968
Total Change in Fund Net Position	<u>\$ 592,210</u>



- As exhibited by the bar graph, the fund net position varied substantially between the two fiscal years (as described in more detail in the “Individual Major Funds Analysis” section) for most of the individual utility funds.
- The Rock Rapids Municipal Utilities has a commitment to maintaining efficient and effective capital assets and strong focus on "community benefits," which are highlighted by the following:

The Rock Rapids Municipal Utilities invested \$1,506,518 into utility plant improvement projects during fiscal year 2021. The utility plant improvement projects by Utility were as follows: Electric Utility = \$1,075,951; Water Utility = \$396,457; and Gas Utility = \$34,110. The aforementioned investments were in addition to providing some of the lowest utility rates in the area; while offering very dependable utility services to our customers.

The Rock Rapids Municipal Utilities used \$100,000 of Gas Utility Fund reserves to defray some of the natural gas prices experienced during the February 2021 historical cold. The cold caused Rock Rapids customers to experience prices in the \$200 per MMBtu where \$4 per MMBtu is historically more common.

The Rock Rapids Municipal Utilities made contributions to the City of Rock Rapids in the amount of \$102,795 during the fiscal year ended June 30, 2021. The Electric Utility Fund contributed \$95,245 and the Sewer Utility Fund contributed \$7,550 for payments in lieu of taxes and to provide support towards programs for the betterment of the community.

The Rock Rapids Municipal Utilities, through its Revolving Loan Fund, issued three new loans to businesses for expansion and/or enhancement of each business.

Using this Annual Report

The annual report consists of a series of financial statements and other information, as follows:

The Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utilities' financial activities.

The "Government-Wide Financial Statements" consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Utilities as a whole and present an overall view of the Utilities' finances.

The "Fund Financial Statements" report the Utilities' operations in more detail than the government-wide financial statements by providing information about each of the funds.

The "Notes to Financial Statements" provide additional information essential to a full understanding of the data provided in the basic financial statements.

The "Required Supplementary Information" further explains and supports the financial statements with a comparison of the Utilities' budget for the year and the Utilities' proportionate share of the net pension liability and related contributions.

The "Supplementary Information" provides detailed comparison information for each Utility by comparing the fiscal year ended June 30, 2021 to the fiscal years ended June 30, 2020 and 2019.

Reporting the Utilities' Financial Activities

Government-Wide Financial Statements

One of the most important questions asked about the Utilities' finances is, "Is the Utilities as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the Utilities' assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the Utilities' net position may serve as a useful indicator of whether the financial position of the Utilities is improving or deteriorating.

The Statement of Activities presents information showing how the Utilities' net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The Statement of Net Position and the Statement of Activities report two kinds of activities:

- Governmental activities include economic development through the issuance of low interest loans by the Revolving Loan Fund.
- Business type activities include the Electric, Water, Sewer and Gas Utility departments. These activities are primarily financed by user charges.

Fund Financial Statements

The Utilities has two kinds of funds:

- The Utilities has a governmental (Special Revenue) fund to account for a revolving loan program which was established through funding provided by USDA "Rural Economic Development Grants" and matching contributions from the Electric and Gas Utility Funds. This fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures

cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the Utilities' governmental operation and the basic service it is providing. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Utilities' revolving loan program.

The required financial statements for this governmental fund include a Balance Sheet and a Statement of Revenues, Expenditures and Change in Fund Balance.

- Proprietary Funds are used to account for the Utilities' Enterprise Funds. These funds report services for which the Utilities charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Activities. The major difference between the proprietary funds and the business type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. Also, the government-wide statements remove all interfund loan transactions (both the principal and interest components). The Enterprise Funds include the Electric, Water, Sewer and Gas Utility Funds, each considered to be a major fund of the Utilities. The Utilities is responsible for ensuring the assets reported in these funds are used only for intended purposes and by those to whom the assets belong.

The financial statements required for the proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position for the governmental and business type activities from the prior fiscal year.

	Governmental Activities		Business Type Activities	
	Net Position at Year End		Net Position at Year End	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Current Assets	\$ 560,448	769,992	\$ 5,536,269	6,079,849
Restricted Cash	0	0	58,936	77,995
Capital Assets (Net)	0	0	14,840,545	13,543,889
Other Assets	913,776	697,174	132,803	338,413
Total Assets	1,474,224	1,467,166	20,568,553	20,040,146
Deferred Outflows of Resources	0	0	132,922	129,191
Current Liabilities				
(Payable from Current Assets)	0	0	270,368	343,406
Current Liabilities				
(Payable from Restricted Assets)	0	0	47,697	56,912
Long-Term Liabilities	0	0	594,226	524,974
Total Liabilities	0	0	912,291	925,292
Deferred Inflows of Resources	0	0	42,086	89,157
Net Position				
Net Investment in Capital Assets	0	0	14,840,545	13,543,889
Restricted	1,474,224	1,467,166	11,239	21,083
Unrestricted	0	0	4,895,314	5,589,916
Total Net Position	\$ 1,474,224	1,467,166	\$ 19,747,098	19,154,888

The largest portion of the Utilities' business type activities net position is the net investment in capital assets (land, utility plant, transportation equipment, office equipment, tools and safety devices, communication equipment, meter testing equipment, intangibles and construction work in progress) (75.15% of the business type activities net position total for fiscal year ended June 30, 2021). For fiscal years ended June 30, 2021 and June 30, 2020, there is no capital assets related external debt. Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used (100% of the net position total for governmental activities and 0.06% of the net position total for business type activities for fiscal year ended June 30, 2021). Unrestricted net position is the component of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements (24.79% of the net position total for business type activities for fiscal year ended June 30, 2021).

	Governmental Activities		Business Type Activities	
	Change in Net Position		Change in Net Position	
	For the Year Ended		For the Year Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Revenues:				
Program Revenues:				
Charges for Service	\$ 0	0	\$ 5,123,127	4,785,780
Operating Restricted Interest	7,058	8,043	0	0
Capital Contributions	0	0	1,656	3,677
General Revenues:				
Gain on Disposal of Capital Asset	0	0	4,000	0
Rentals	0	0	12,220	7,720
Customer Penalties/Credit Card Fees	0	0	4,833	4,784
Interest Income	0	0	48,293	106,186
Total Revenues	7,058	8,043	5,194,129	4,908,147
Program Expenses:				
Electric Utility	0	0	2,320,883	2,202,679
Water Utility	0	0	776,404	771,457
Sewer Utility	0	0	318,888	298,775
Gas Utility	0	0	1,407,901	994,705
Total Expenses	0	0	4,824,076	4,267,616
Special Items:				
Iowa VWSEMT Program	0	0	11,576	0
Hazard Mitigation Grant	0	0	21,974	99,127
Free Community Service (Related Party)	0	0	0	(208,951)
Total Special Items	0	0	33,550	(109,824)
Extraordinary Item:				
FERC Settlement – Transmission Refund	0	0	188,607	0
Increase in Net Position	7,058	8,043	592,210	530,707
Net Position Beginning of Year	1,467,166	1,459,123	19,154,888	18,624,181
Net Position End of Year	\$ 1,474,224	1,467,166	\$ 19,747,098	19,154,888

The Utilities' governmental and business type activities total net position increased from \$20,622,054 to \$21,221,322, a 2.91% increase of \$599,268 during the fiscal year ended June 30, 2021. The governmental activities net position increased from \$1,467,166 to \$1,474,166, a 0.48% increase of \$7,058. The business type activities increased from \$19,154,888 to \$19,747,098, a 3.09% increase of \$592,210.

The governmental activities net position increase for fiscal year 2021 was slightly smaller in comparison to fiscal year 2020, a (12.25%) decrease of \$(985). The decrease was due to a reduction in interest rates. The business type activities net position increase for fiscal year 2021 was slightly larger in comparison to fiscal year 2020, a 11.59% increase of \$61,503. The increase was primarily due to the following factors: charges for service increased by \$337,347, or 7.05%; interest income decreased by \$(57,893), or (54.52%); expenses increased by \$347,509, or 7.76%; grant income decreased by \$(65,577), or (66.15%); and the FERC settlement – transmission refund resulted in \$188,607 in additional revenue.

Individual Major Fund Analysis

- **Revolving Loan Fund (Special Revenue):** The Revolving Loan Fund has been primarily funded by \$1,200,000 in total from four USDA “Rural Economic Development Grants” and \$240,000 in total funded by matching contributions from the Electric and Gas Utility Funds. Through fiscal year ended June 30, 2021, four original loans of \$360,000 each were issued from the Revolving Loan Fund to help in the financing of building three commercial spec buildings that were sold on contract to local businessmen and one loan for medical equipment for the new hospital. The sales contracts for the spec buildings and corresponding collateral were assigned to the Utilities. As these building contracts and equipment loan are repaid, the Utilities has money available that can be loaned to area businesses for new endeavors, to maintain and assist with retention of existing businesses, and for expansion projects. Through fiscal year 2021, a total of seven relent loans have been issued by the Revolving Loan. Three of the relent loans, which totaled \$375,000, were issued during fiscal year 2021. As of June 30, 2021, \$1,048,627 is owed to the Revolving Loan Fund on the issued and outstanding loans: \$505,000 is outstanding on 2 original loans and \$543,627 is outstanding on 6 relent loans. During the fiscal year ended June 30, 2021, the Revolving Loan Fund had interest revenue of \$7,058 (\$1,290 on bank deposits and \$5,768 on relent loans).
- **Enterprise Funds: Electric Utility, Water Utility, Sewer Utility and Gas Utility:** The analysis of each of these major proprietary (enterprise) funds is done through comparisons for fiscal year 2021 and fiscal year 2020 of operating revenues; operating expenses; and changes in fund net positions, which also takes into account non-operating revenues/expenses, special items and an extraordinary item.
- **Utility Funds – Operating Revenues:** Electric Utility Fund operating revenues were \$2,443,868, down from \$2,445,504 the previous fiscal year, a decrease of \$(1,636), or (0.07%). Residential sales increased by \$25,375 while commercial and service sales decreased by \$(30,675).

Water Utility Fund operating revenues were \$928,943, up from \$839,260 the previous fiscal year, an increase of \$89,683, or 10.69%. The increase in operating revenues was primarily the result of an increase in metered sales by \$57,208 and Rural Water System sales by \$34,262.

Sewer Utility Fund operating revenues were \$372,988, up from \$353,704 the previous fiscal year, an increase of \$19,284, or 5.45%.

Gas Utility Fund operating revenues were \$1,377,328, up from \$1,147,312 the previous fiscal year, an increase of \$230,016, or 20.05%. The increased operating revenues were due to a cold spell in February 2021 that caused prices to explode to the upside. Natural gas prices reached historical levels. Due significantly to this factor, residential sales increased by \$146,510 and commercial sales increased by \$76,321.

- **Utility Funds - Operating Expenses:** Electric Utility Fund operating expenses were \$2,197,289, up from \$2,084,474 the previous fiscal year, an increase of \$112,815, or 5.41%. The increased operating expenses were primarily due to an increase in production/processing expense by \$68,641 and distribution expense by \$32,712 (generating costs and infrastructure inputs).

Water Utility Fund operating expenses were \$776,404, up from \$771,457 the previous fiscal year, an increase of \$4,947, or 0.64%. The slight increase in operating expenses were primarily due to increases in administration/general expense by \$24,996 and depreciation expense by \$14,779, which was mainly offset by a decrease in distribution expense by \$(37,839).

Sewer Utility Fund operating expenses were \$311,338, up from \$292,191 the previous fiscal year, an increase of \$19,147, or 6.55%. The increase in operating expenses were primarily due to increases in processing expense by \$17,243 and administrative/general expense by \$9,373, which was partially offset by depreciation expense decreasing by \$(6,124).

Gas Utility Fund operating expenses were \$1,382,758, up from \$984,565 the previous fiscal year, an increase of \$398,193, or 40.44%. The increase in operating expenses was primarily due to increases in production/processing expense by \$381,526 and distribution expense by \$24,500 (natural gas prices and infrastructure inputs).

- **Utility Funds - Net Positions:** The Electric Utility Fund, which accounts for the operation and maintenance of the electric system, ended fiscal year 2021 with a \$7,957,496 net position balance, compared to the prior year ending net position balance of \$7,601,477, a \$356,019 increase, or 4.68%. The fiscal year 2020 change in net position was an increase of \$298,759 increase, or 4.09%. The net change during fiscal year 2021 was higher, despite the operating income for fiscal year 2021 compared to fiscal year 2020 being lower by \$(114,451) and a decrease in interest income by \$(27,040), due primarily to receiving \$188,607 in a FERC settlement transmission charges refund.

The Water Utility Fund, which accounts for the operation and maintenance of the water system, ended fiscal year 2021 with a \$4,294,430 net position balance, compared to the prior year ending net position balance of \$4,179,021, a \$115,409 increase, or 2.76%. The fiscal year 2020 change in net position was an increase of \$826 increase, or 0.02%. The net change during fiscal year 2021 was higher than fiscal year 2020 essentially due to a \$84,736 increase in operating income and Hazard Mitigation Grant revenue of \$21,974.

The Sewer Utility Fund, which accounts for the operation and maintenance of the sewer system, ended fiscal year 2021 with a \$1,819,866 net position balance, compared to the prior year ending net position balance of \$1,770,052, an increase of \$49,814, or 2.81%. The fiscal year 2020 change in net position was a decrease of \$(56,366), or (3.09%). The net change during fiscal year 2021 was higher, despite the operating income for fiscal year 2021 compared to fiscal year 2020 being very similar, due to having Hazard Mitigation Grant of \$99,127 revenue which was more than offset by the expense of a contribution to the City of Rock Rapids of \$208,951 for a sewer lining project during fiscal year 2020.

The Gas Utility Fund, which accounts for the operation and maintenance of the gas system, ended fiscal year 2021 with a \$5,675,338 net position balance, compared to the prior year ending net position balance of \$5,604,338, an increase of \$70,968, or 5.41%. The fiscal year 2020 change in net position was an increase of \$287,488 or 1.27%. The net change during fiscal year 2021 was smaller than fiscal year 2020 essentially due to a \$(168,177) decrease in operating income and interest income being lower by \$(29,219). Contributing to the reduction in the operating income was the Utilities used \$100,000 of Gas Utility Fund reserves to defray some of the natural gas prices experienced during the February 2021 historical cold.

Budgetary Highlights

The Utilities original budget was adopted in accordance with the Code of Iowa as a component of the City of Rock Rapids budget. The Utilities had the City of Rock Rapids adopt one budget amendment on its behalf during fiscal year 2021. The budget amendment increased disbursements in the business type/enterprise activities by \$397,500.

The actual receipts amount for fiscal year 2021 came in at \$5,914,322, which was \$523,433 in excess of the adopted budgeted amount for receipts of \$5,390,889. The actual disbursements amount for fiscal year 2021 came in at \$6,573,293, which was \$962,003 under the amended budgeted amount for disbursements of \$7,535,296.

The Utilities budgets on the cash basis but maintains its records on an accrual basis.

Capital Assets and Debt Administration

Capital Assets: Please see Note 8 to the Financial Statements for more information about the Utilities' capital assets and related depreciation/amortization. The major capital asset additions during the fiscal year ended June 30, 2021, other than utility plant additions, were the purchase of a Chevy Silverado pickup and land (Folkens Addition Lots 6 & 7) through the Electric Utility Fund and land (Campbell property) through the Gas Utility Fund. Utility plant additions during fiscal year 2021 for each fund were as follows: Electric Utility Fund - electrical lines improvements and main substation transformer; Water Utility Fund – wells, Union Street bridge and 2nd Street; Sewer Utility Fund – Tama Street lift and wastewater generator; and Gas Utility Fund - construction services, transmission line extension and regulator station upgrade.

Work in progress on construction projects at June 30, 2021 were as follows: Electric Utility Fund – Cleveland substation, tuck pointing, Williams addition, water generators, Van Gelder subdivision, office remodel and the electric vehicle charger; Water Utility Fund – 140th Street phase III, Williams addition, water treatment plant generator and Van Gelder subdivision; and Gas Utility Fund – Van Gelder subdivision.

Long-Term Debt: The Utilities did not have any external long-term debt outstanding at June 30, 2021. Please see Note 3 to the Financial Statements for internal long-term loans made from the Gas Fund to the Water and Sewer Funds.

Economic Factors

The Electric Utility will continue to monitor the drought in the western United States. WAPA (the electric provider of 70% of our electricity) could initiate a drought adder to the Rock Rapids Municipal Utilities if conditions continue to remain the same or worsen. The Rock Rapids Municipal Utilities would then consider if these costs, along with capital costs for distribution upgrades, would need to be included in a rate increase.

The Water Utility will be pursuing the completion of the “Lewis and Clark Connection” and participating in the “Lewis and Clark Expansion”. These projects, along with distribution repairs to the system, will put upwards pressure on rates if alternative funding cannot be secured.

The Sewer Utility will continue to upgrade the present plant to meet new DNR permit requirements. The age of the plant and equipment may require future rate increases to keep the plant operating with a high level of efficiency and in-compliance with EPA rules.

The Gas Utility will continue the multi-year plan to upgrade its high-pressure mains to improve pressures and allow for business economic expansion. The Rock Rapids Municipal Utilities will need to consider options to address the rapidly increasing costs to infrastructure inputs in the natural gas utility.

The Rock Rapids Municipal Utilities will continue its strong focus on making investments in the community to spur business expansion. The established revolving loan fund will be used to make loans for new business enterprises and the expansion of established businesses.

The replacement of qualified hard-working employees will be a challenge in the coming years for Rock Rapids Municipal Utilities. The performance of highly productive employees shows up in dependability of the systems and bottom line of the Utilities as a whole. Competitive wages and a good work place environment will need to continue to be maintained to attract the employees of tomorrow.

Contacting the Utilities' Financial Management

This financial report is designed to provide our customers and entities we have dealings with a general overview of the Utilities' finances and operating activities. If you have questions about this report or need additional financial information, contact Jim Hoyer, General Manager, 310 S. 3rd St., Rock Rapids, Iowa.

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Basic Financial Statements

Rock Rapids Municipal Utilities

ROCK RAPIDS MUNICIPAL UTILITIES

Exhibit A – Statement of Net Position

June 30, 2021

	Governmental Activities	Business Type Activities	Total
Assets			
Current Assets:			
Cash	\$ 375,027	1,319,287	1,694,314
Certificates of Deposit (Cash Equivalent)	50,000	375,000	425,000
Certificates of Deposit (Non-Cash Equivalent)	0	2,950,000	2,950,000
Accounts Receivable	0	314,913	314,913
Due From Other Government (Related Party)	0	7,835	7,835
Due From Other Governments	0	55,737	55,737
Interest Receivable	570	9,302	9,872
Flex Spending Plan Receivable	0	2,288	2,288
Notes Receivable - Rock Rapids Development Corporation	0	5,355	5,355
Note Receivable - Rock Rapids Kids Club	0	64,923	64,923
Notes Receivable - Housing Development Incentive Program	0	49,607	49,607
Notes Receivable - Rock Rapids Businesses (Original)	76,000	0	76,000
Notes Receivable - Rock Rapids Businesses (Relent)	58,851	0	58,851
Inventories	0	307,853	307,853
Prepaid Expenses	0	74,169	74,169
Total Current Assets	560,448	5,536,269	6,096,717
Restricted Cash:			
Customer Deposits	0	47,697	47,697
Depreciation Reserves	0	11,239	11,239
Total Restricted Cash	0	58,936	58,936
Capital Assets - Net:			
Land	0	496,104	496,104
Utility Plant	0	25,269,320	25,269,320
Transportation Equipment	0	444,140	444,140
Office Equipment	0	71,114	71,114
Tools and Safety Devices	0	330,117	330,117
Communication Equipment	0	3,239	3,239
Meter Testing Equipment	0	5,668	5,668
Intangibles	0	1,127,064	1,127,064
Total Capital Assets (Before W.I.P.)	0	27,746,766	27,746,766
Less: Accumulated Depreciation/Amortization	0	(13,360,437)	(13,360,437)
Capital Assets – Net (Before W.I.P.)	0	14,386,329	14,386,329
Construction Work in Progress	0	454,216	454,216
Capital Assets - Net	0	14,840,545	14,840,545

See Notes to Financial Statements.

Exhibit A (Continued)

	Governmental Activities	Business Type Activities	Total
Other Assets:			
Notes Receivable - Rock Rapids Development Corporation	0	132,803	132,803
Notes Receivable - Rock Rapids Businesses (Original)	429,000	0	429,000
Notes Receivable - Rock Rapids Businesses (Relent)	484,776	0	484,776
Total Other Assets	913,776	132,803	1,046,579
Total Assets	1,474,224	20,568,553	22,042,777
<u>Deferred Outflows of Resources</u>			
Pension Related Deferred Outflows	0	132,922	132,922
<u>Liabilities</u>			
Current Liabilities (Payable From Current Assets):			
Accounts Payable	0	136,230	136,230
Due to Other Government (Related Party)	0	24,057	24,057
Due to Other Governments	0	8,087	8,087
Accrued Vacation/Comp Time Pay	0	67,343	67,343
Accrued Payroll & Payroll Liabilities	0	11,504	11,504
Advances from Customers	0	23,147	23,147
Total Current Liabilities (Payable From Current Assets)	0	270,368	270,368
Liabilities Payable From Restricted Cash:			
Customer Deposits	0	47,697	47,697
Long-Term Liabilities:			
Accrued Sick Leave Pay	0	17,547	17,547
Net Pension Liability	0	576,679	576,679
Total Long-Term Liabilities	0	594,226	594,226
Total Liabilities	0	912,291	912,291
<u>Deferred Inflows of Resources</u>			
Unavailable Revenues:			
Pension Related Deferred Inflows	0	42,086	42,086
<u>Net Position</u>			
Net Investment in Capital Assets	0	14,840,545	14,840,545
Restricted for:			
Loans to Businesses	1,474,224	0	1,474,224
Depreciation Reserves	0	11,239	11,239
Unrestricted	0	4,895,314	4,895,314
Total Net Position	\$ 1,474,224	19,747,098	21,221,322

ROCK RAPIDS MUNICIPAL UTILITIES

Exhibit B – Statement of Activities

Fiscal Year Ended June 30, 2021

		Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses	Services		
Functions/Programs:				
Governmental Activities:				
Revolving Loans	\$ 0	0	7,058	0
Business Type Activities:				
Electric Utility	2,320,883	2,443,868	0	0
Water Utility	776,404	928,943	0	0
Sewer Utility	318,888	372,988	0	0
Gas Utility	1,407,901	1,377,328	0	1,656
Total Business Type Activities	4,824,076	5,123,127	0	1,656
Totals - Rock Rapids Municipal Utilities	\$ 4,824,076	5,123,127	7,058	1,656
General Revenues:				
Gain on Disposal of Capital Asset				
Rentals				
Rentals (Related Party)				
Customer Penalties/Credit Card Fees				
Interest Income				
Total General Revenues				
Special Items:				
Iowa VWSEMT Program				
Hazard Mitigation Grant				
Total Special Items				
Extraordinary Item:				
FERC Settlement - Transmission Refund				
Change in Net Position After Special and Extraordinary Items				
Net Position Beginning of Year				
Net Position End of Year				

See Notes to Financial Statements.

Exhibit B (Continued)

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
\$ 7,058	0	7,058
0	122,985	122,985
0	152,539	152,539
0	54,100	54,100
0	(28,917)	(28,917)
0	300,707	300,707
\$ 7,058	300,707	307,765
0	4,000	4,000
0	7,220	7,220
0	5,000	5,000
0	4,833	4,833
0	48,293	48,293
0	69,346	69,346
0	11,576	11,576
0	21,974	21,974
0	33,550	33,550
0	188,607	188,607
7,058	592,210	599,268
1,467,166	19,154,888	20,622,054
\$ 1,474,224	19,747,098	21,221,322

ROCK RAPIDS MUNICIPAL UTILITIES
Exhibit C – Balance Sheet
Governmental Fund
June 30, 2021

	<u>Special Revenue</u>
	<u>Revolving Loan</u>
<u>Assets</u>	
Current Assets:	
Cash	\$ 375,027
Certificate of Deposit (Cash Equivalent)	50,000
Interest Receivable	570
Notes Receivable - Rock Rapids Businesses (Original)	76,000
Notes Receivable - Rock Rapids Businesses (Relent)	58,851
Total Current Assets	<u>560,448</u>
Other Assets:	
Notes Receivable - Rock Rapids Businesses (Original)	429,000
Notes Receivable - Rock Rapids Businesses (Relent)	484,776
Total Other Assets	<u>913,776</u>
Total Assets	<u><u>\$ 1,474,224</u></u>
<u>Fund Balance</u>	
Restricted for:	
Loans to Businesses	<u>\$ 1,474,224</u>
Total Fund Balance	<u><u>\$ 1,474,224</u></u>

See Notes to Financial Statements.

ROCK RAPIDS MUNICIPAL UTILITIES
Exhibit D – Statement of Revenues, Expenditures and Change in Fund Balance
Governmental Fund
Fiscal Year Ended June 30, 2021

	<u>Special Revenue</u>
	<u>Revolving Loan</u>
Revenues:	
Use of Money and Property:	
Interest Income	\$ 7,058
Expenditures:	
None	<u>0</u>
Change in Fund Balance	7,058
Fund Balance Beginning of Year	<u>1,467,166</u>
Fund Balance End of Year	<u><u>\$ 1,474,224</u></u>

See Notes to Financial Statements.

ROCK RAPIDS MUNICIPAL UTILITIES

Exhibit E – Statement of Net Position - Proprietary Funds

June 30, 2021

	Enterprise Funds				
	Electric Utility	Water Utility	Sewer Utility	Gas Utility	Total
Assets					
Current Assets:					
Cash	\$ 443,987	230,927	153,905	490,468	1,319,287
Certificates of Deposit (Cash Equivalent)	175,000	0	0	200,000	375,000
Certificates of Deposit (Non-Cash Equivalent)	1,325,000	0	0	1,625,000	2,950,000
Accounts Receivable	129,430	79,492	29,477	76,514	314,913
Due From Water and Sewer Utility Funds	0	0	0	214,265	214,265
Due From Other Government (Related Party)	3,924	1,366	1,092	1,453	7,835
Due From Other Governments	29,258	23,571	935	1,973	55,737
Interest Receivable	2,222	0	0	7,080	9,302
Flex Spending Plan Receivable	2,288	0	0	0	2,288
Notes Receivable - Rock Rapids Dev. Corp.	0	0	0	5,355	5,355
Note Receivable - Rock Rapids Kids Club	64,923	0	0	0	64,923
Note Receivable - Housing Dev. Incentive Prog.	0	0	0	49,607	49,607
Inventories	203,325	58,052	0	46,476	307,853
Prepaid Expenses	26,140	18,737	14,973	14,319	74,169
Total Current Assets	2,405,497	412,145	200,382	2,732,510	5,750,534
Restricted Cash:					
Customer Deposits	20,313	7,210	0	20,174	47,697
Depreciation Reserves	0	0	11,239	0	11,239
Total Restricted Cash	20,313	7,210	11,239	20,174	58,936
Capital Assets - Net:					
Land	137,430	118,311	0	240,363	496,104
Utility Plant	11,820,342	8,374,523	3,695,345	1,379,110	25,269,320
Transportation Equipment	208,220	61,160	43,724	131,036	444,140
Office Equipment	38,402	9,332	5,656	17,724	71,114
Tools and Safety Devices	159,266	42,101	7,177	121,573	330,117
Communication Equipment	3,239	0	0	0	3,239
Meter Testing Equipment	0	5,668	0	0	5,668
Intangibles	11,990	1,099,729	3,355	11,990	1,127,064
Total Capital Assets (Before W.I.P.)	12,378,889	9,710,824	3,755,257	1,901,796	27,746,766
Less: Accumulated Depreciation/Amortization	(6,652,289)	(3,841,421)	(1,935,309)	(931,418)	(13,360,437)
Capital Assets – Net (Before W.I.P.)	5,726,600	5,869,403	1,819,948	970,378	14,386,329
Construction Work in Progress	132,791	318,467	0	2,958	454,216
Capital Assets - Net	5,859,391	6,187,870	1,819,948	973,336	14,840,545
Other Assets:					
Advances To Water and Sewer Utility Funds	0	0	0	2,044,123	2,044,123
Notes Receivable - Rock Rapids Dev. Corp.	0	0	0	132,803	132,803
Total Other Assets	0	0	0	2,176,926	2,176,926
Total Assets	8,285,201	6,607,225	2,031,569	5,902,946	22,826,941

See Notes to Financial Statements.

Exhibit E (Continued)

	Enterprise Funds				
	Electric Utility	Water Utility	Sewer Utility	Gas Utility	Total
<u>Deferred Outflows of Resources</u>					
Pension Related Deferred Outflows	53,168	26,584	19,939	33,231	132,922
<u>Liabilities</u>					
Current Liabilities (Payable From Current Assets):					
Accounts Payable	72,012	43,144	9,048	12,026	136,230
Due To Gas Utility Fund	0	191,382	22,883	0	214,265
Due To Other Government (Related Party)	0	0	0	24,057	24,057
Due To Other Governments	4,413	2,270	346	1,058	8,087
Accrued Vacation/Comp Time Pay	27,798	15,177	5,804	18,564	67,343
Accrued Payroll & Payroll Liabilities	4,324	2,379	1,649	3,152	11,504
Advances from Customers	253	0	0	22,894	23,147
Total Current Liabilities (Payable From Current Assets)	108,800	254,352	39,730	81,751	484,633
Liabilities Payable From Restricted Cash:					
Customer Deposits	20,313	7,210	0	20,174	47,697
Long -Term Liabilities:					
Accrued Sick Leave Pay	4,254	7,824	1,215	4,254	17,547
Advances From Gas Utility Fund	0	1,946,240	97,883	0	2,044,123
Net Pension Liability	230,671	115,336	86,501	144,171	576,679
Total Long-Term Liabilities	234,925	2,069,400	185,599	148,425	2,638,349
Total Liabilities	364,038	2,330,962	225,329	250,350	3,170,679
<u>Deferred Inflows of Resources</u>					
Unavailable Revenues:					
Pension Related Deferred Inflows	16,835	8,417	6,313	10,521	42,086
<u>Net Position</u>					
Net Investment in Capital Assets	5,859,391	4,058,970	1,699,403	973,336	12,591,100
Restricted for:					
Depreciation Reserves	0	0	11,239	0	11,239
Unrestricted	2,098,105	235,460	109,224	4,701,970	7,144,759
Total Net Position	\$ 7,957,496	4,294,430	1,819,866	5,675,306	19,747,098

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ROCK RAPIDS MUNICIPAL UTILITIES
Exhibit F – Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2021

	Enterprise Funds				
	Electric Utility	Water Utility	Sewer Utility	Gas Utility	Total
Operating Revenues:					
Residential Sales	\$ 1,147,392	0	0	782,636	1,930,028
Commercial Sales	1,182,576	0	0	580,638	1,763,214
Public Street and Highway Lighting	15,406	0	0	0	15,406
Water Sales – Metered	0	423,877	0	0	423,877
Water Sales – Rural Water System	0	496,817	0	0	496,817
Water Sales – Tank Loads	0	538	0	0	538
Sewer Service	0	0	371,399	0	371,399
Material and Service Sales	89,178	2,905	0	6,630	98,713
Service Income	3,754	1,628	0	1,862	7,244
Service Income (Related Party)	5,562	3,178	1,589	5,562	15,891
Total Operating Revenues	2,443,868	928,943	372,988	1,377,328	5,123,127
Operating Expenses:					
Production/Processing Expense	1,337,842	291,486	151,543	921,919	2,702,790
Distribution Expense	307,625	93,552	0	136,389	537,566
Accounting and Collecting	32,848	16,632	9,287	34,195	92,962
Administrative and General	232,099	137,722	63,899	189,698	623,418
Transportation	7,944	1,175	1,978	4,483	15,580
Depreciation/Amortization	227,675	209,119	66,542	56,384	559,720
Payroll Taxes/IPERS	51,256	26,718	18,089	39,690	135,753
Total Operating Expenses	2,197,289	776,404	311,338	1,382,758	4,667,789
Operating Income (Loss)	246,579	152,539	61,650	(5,430)	455,338
Non-Operating Revenues (Expenses):					
Gain on Disposal of Capital Asset	4,000	0	0	0	4,000
Rentals	0	7,220	0	0	7,220
Rentals (Related Party)	5,000	0	0	0	5,000
Customer Penalties/Credit Card Fees	3,276	260	256	1,041	4,833
Interest Income	20,575	0	0	27,718	48,293
Interest Income (Water, Sewer Funds)	0	0	0	71,126	71,126
Construction Support Payment	0	0	0	1,656	1,656
Free Community Service (Related Party)	(95,245)	0	(7,550)	0	(102,795)
Free Community Service	(28,147)	0	0	(25,000)	(53,147)
Interest Expense	(202)	0	0	(143)	(345)
Interest Expense (Gas Fund)	0	(66,584)	(4,542)	0	(71,126)
Net Nonoperating Revenues (Expenses)	(90,743)	(59,104)	(11,836)	76,398	(85,285)
Change in Net Position Before Special and Extraordinary Items	155,836	93,435	49,814	70,968	370,053
Special Items:					
Iowa VWSEMT Program	11,576	0	0	0	11,576
Hazard Mitigation Grant	0	21,974	0	0	21,974
Total Special Items	11,576	21,974	0	0	33,550
Extraordinary Item:					
FERC Settlement - Transmission Refund	188,607	0	0	0	188,607
Change in Net Position After Special and Extraordinary Items	356,019	115,409	49,814	70,968	592,210
Net Position Beginning of Year	7,601,477	4,179,021	1,770,052	5,604,338	19,154,888
Net Position End of Year	\$ 7,957,496	4,294,430	1,819,866	5,675,306	19,747,098

See Notes to Financial Statements.

ROCK RAPIDS MUNICIPAL UTILITIES

Exhibit G – Statement of Cash Flows

Proprietary Funds

Fiscal Year Ended June 30, 2021

	Enterprise Funds				
	Electric Utility	Water Utility	Sewer Utility	Gas Utility	Total
Cash Flows From Operating Activities:					
Cash Received from Customers and Users	\$ 2,369,618	917,125	368,332	1,339,248	4,994,323
Cash Received for Services (Related Party)	5,562	3,178	1,589	5,562	15,891
Cash Received from Interfund Services Provided	65,348	2,092	613	14,265	82,318
Cash Paid to Suppliers/Outside Service Providers	(1,535,839)	(351,325)	(101,588)	(1,015,614)	(3,004,366)
Cash Paid for Personal Services (Employees)	(365,314)	(193,252)	(123,881)	(301,075)	(983,522)
Cash Paid for Interfund Services Used	(15,100)	(36,368)	(29,465)	(1,385)	(82,318)
Cash Paid for Free Community Service (Related Party)	(95,245)	0	(7,550)	0	(102,795)
Cash Paid for Free Community Service	(28,147)	0	0	0	(28,147)
Net Cash Provided By Operating Activities	400,883	341,450	108,050	41,001	891,384
Cash Flows From Noncapital Financing Activities:					
Extraordinary Item: FERC Settlement - Transmission Refund	188,607	0	0	0	188,607
Cash Flows From Capital and Related Financing Activities:					
New Interfund Loans Issued from the Gas Utility	0	500,000	0	0	500,000
Principal Payments on Interfund Loans from the Gas Utility	0	(158,823)	(122,169)	0	(280,992)
Interest Paid on Interfund Loans from the Gas Utility	0	(68,243)	(4,605)	0	(72,848)
Proceeds from Construction Support Payment	0	0	0	1,656	1,656
Special Item: Hazard Mitigation Grant Proceeds	0	0	17,132	0	17,132
Purchases/Construction of Capital Assets	(1,186,586)	(477,101)	0	(260,610)	(1,924,297)
Net Cash Used For Capital and Related Financing Activities	(1,186,586)	(204,167)	(109,642)	(258,954)	(1,759,349)
Cash Flows From Investing Activities:					
Principal Returned to Gas Utility on Interfund Loans	0	0	0	280,992	280,992
Interest Received by Gas Utility on Interfund Loans	0	0	0	72,848	72,848
Interest Received	30,656	0	0	36,664	67,320
Customer Penalties/Credit Card Fees Received	3,276	260	256	1,041	4,833
Proceeds from Rentals	0	7,220	0	0	7,220
Proceeds from Rentals (Related Parties)	5,000	0	0	0	5,000
Principal Received on the Rock Rapids Development Corporation Notes Receivable	45,060	0	0	5,250	50,310
Principal Received on the Rock Rapids Kids Club Note Receivable	70,690	0	0	0	70,690
Investment in Certificates of Deposit (Non-Cash Equivalent), Net of Amounts Cash-In	825,000	0	0	450,000	1,275,000
Issuance of New Interfund Loans to the Water Utility	0	0	0	(500,000)	(500,000)
Net Cash Provided By Investing Activities	979,682	7,480	256	346,795	1,334,213
Net Increase (Decrease) in Cash and Cash Equivalents	382,586	144,763	(1,336)	128,842	654,855
Cash and Cash Equivalents Beginning of Year	256,714	93,374	166,480	581,800	1,098,368
Cash and Cash Equivalents End of Year	\$ 639,300	238,137	165,144	710,642	1,753,223

See Notes to Financial Statements.

Exhibit G (Continued)

Noncash Operating, Financing or Investing Activity:

During the fiscal year ended June 30, 2021, the Utilities forgave \$25,000 of principal on the "Notes Receivable - Housing Development Incentive Program" asset as the requirements stated in the established program were achieved on this portion of the notes receivable. The \$25,000 was forgiven through the Gas Utility Fund and expensed through the "Free Community Service" account. The Utilities also traded-in a 2008 Ford F250 pickup for \$4,000 toward a 2020 Chevy Silverado 2500 pickup through the Electric Utility Fund. The \$4,000 is recorded in the "Gain on Disposal of Capital Asset" account.

	Enterprise Funds				
	Electric Utility	Water Utility	Sewer Utility	Gas Utility	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:					
Operating Income (Loss)	\$ 246,579	152,539	61,650	(5,430)	455,338
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:					
Depreciation/Amortization	227,675	209,119	66,542	56,384	559,720
Free Community Service (Related Party)	(95,245)	0	(7,550)	0	(102,795)
Free Community Service	(28,147)	0	0	0	(28,147)
Deposit Interest Paid	(202)	0	0	(143)	(345)
Changes in Assets and Liabilities:					
Decrease (Increase) in Accounts Receivable	8,027	(3,896)	(1,336)	(772)	2,023
(Increase) in Due From Other Governments (Related Party)	(540)	(1,200)	(927)	(931)	(3,598)
(Increase) in Due From Other Governments (Non Grant Income Related)	(4,758)	(834)	(190)	(804)	(6,586)
(Increase) in Flex Spending Plan Receivable	(675)	0	0	0	(675)
Decrease (Increase) in Inventories	8,015	(1,125)	0	6,588	13,478
(Increase) in Prepaid Expenses	(1,274)	(1,252)	(2,301)	(319)	(5,146)
(Increase) in Pension Related Deferred Outflows	(1,492)	(746)	(560)	(933)	(3,731)
Increase (Decrease) in Accounts Payable (Non Capital Assets Related)	41,059	(15,257)	(11,755)	6,429	20,476
Increase in Due to Other Governments (Related Party)	0	0	0	2,263	2,263
Increase (Decrease) in Due to Other Governments	(3,248)	82	(387)	(86)	(3,639)
Increase in Accrued Vacation/Comp Time Pay	776	253	995	746	2,770
Increase in Accrued Payroll & Payroll Liabilities	881	482	288	712	2,363
(Decrease) in Advances from Customers	(114)	0	0	(25,237)	(25,351)
Increase (Decrease) in Customer Deposits	(6,015)	300	0	(3,500)	(9,215)
Increase (Decrease) in Accrued Sick Leave Pay	124	(1,744)	35	124	(1,461)
Increase in Net Pension Liability	28,285	14,143	10,607	17,678	70,713
(Decrease) in Pension Related Deferred Inflows	(18,828)	(9,414)	(7,061)	(11,768)	(47,071)
Net Cash Provided By Operating Activities	\$ 400,883	341,450	108,050	41,001	891,384
Reconciliation of Cash and Cash Equivalents at Year End to Specific Assets Included in the Statement of Net Position:					
Current Assets:					
Cash	\$ 443,987	230,927	153,905	490,468	1,319,287
Certificates of Deposit (Cash Equivalent)	175,000	0	0	200,000	375,000
Restricted Cash:					
Customer Deposits	20,313	7,210	0	20,174	47,697
Depreciation Reserves	0	0	11,239	0	11,239
Cash and Cash Equivalents End of Year	\$ 639,300	238,137	165,144	710,642	1,753,223

ROCK RAPIDS MUNICIPAL UTILITIES

Notes to Financial Statements

June 30, 2021

Note 1: Summary of Significant Accounting Policies

The Rock Rapids Municipal Utilities is a component unit (as determined by criteria specified by the Governmental Accounting Standards Board) of the City of Rock Rapids, which is a political subdivision of the State of Iowa located in Lyon County, Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The Rock Rapids Municipal Utilities provides electric, water, sewer, and gas utilities and related services to its customers. The Utilities has also established a Revolving Loan Fund to assist in the financing of approved rural economic development projects. The Rock Rapids Municipal Utilities is established and operated in accordance with Chapter 388 of the Code of Iowa. The Utilities is governed by a three-member Board of Trustees appointed by the Mayor and approved by the City Council, which exercises oversight responsibility under the criteria of the Code of Iowa.

The financial statements of the Rock Rapids Municipal Utilities have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board except that management has not implemented Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Management has not recorded deferred outflows of resources, the total other postemployment benefits (OPEB) liability, deferred inflows of resources related to OPEB and the corresponding OPEB expense in the business type activities and each of the proprietary funds. There are also no disclosures reported on the other postemployment benefits (OPEB) obligation in the Notes to Financial Statements.

The Rock Rapids Municipal Utilities operates a single-employer retiree benefit plan which provides medical, prescription drug and optional dental benefits through a plan with Wellmark Blue Cross/Blue Shield. Retirees under age 65 pay the same premium for the medical, prescription drug and optional dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability. U.S. generally accepted accounting principles require that deferred outflows of resources, the total OPEB liability and deferred inflows of resources related to OPEB be reported and the corresponding change during the fiscal year to be expensed, which would increase deferred outflows, liabilities, deferred inflows of resources, and expenses and decrease net position of the business type activities and the proprietary funds. U.S. generally accepted accounting principles also require that certain information/data be disclosed in the Notes to Financial Statements in regards to the other postemployment benefits (OPEB) obligation. Required disclosures that are omitted for this implicit rate subsidy include the plan description; OPEB benefits; total OPEB liability; actuarial assumptions; discount rate; changes in the total OPEB liability; sensitivity of the Utilities' total OPEB liability to changes in the discount rate and healthcare cost trend rates; and OPEB expense and deferred inflows of resources related to OPEB.

Management has also decided to omit the Schedule of Changes in the Utilities' Total OPEB Liability, Related Ratios and Notes, which U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Rock Rapids Municipal Utilities has included all funds, organizations, agencies, boards, commissions and authorities. The Utilities has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Utilities are such that exclusion would cause the Utilities' financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Utilities to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Utilities. The Rock Rapids Municipal Utilities has no component units which meet the Governmental Accounting Standards Board criteria.

As previously noted, the Rock Rapids Municipal Utilities is a component unit of the City of Rock Rapids. While the Rock Rapids Municipal Utilities is considered legally separate from the City, there is a financial benefit/burden relationship between the City and the Utilities, and a relationship such that exclusion would cause the City of Rock Rapids' financial statements to be misleading or incomplete.

The Rock Rapids Municipal Utilities made contributions to the City of Rock Rapids in the amount of \$102,795 (reported as "free community service – related party") for the fiscal year ended June 30, 2021. The Electric Utility Fund contributed \$95,245 and the Sewer Utility Fund contributed \$7,550. Also, the Utilities paid \$167,650 to the City of Rock Rapids through the Water Utility Fund for the Second Street project (reported as part of "utility plant"). The City of Rock Rapids paid \$5,000 to the Electric Utility Fund of the Rock Rapids Municipal Utilities for rent (reported as "rental-related party") and \$15,891 (\$5,562 to the Electric Utility Fund; \$3,178 to the Water Utility Fund; \$1,589 to the Sewer Utility Fund; and \$5,562 to the Gas Utility Fund) for garbage/recycling billing and collection services (reported as "service income-related party"). The City of Rock Rapids also pays the Utilities for utility services and both entities charge each other for any occasional labor and materials provided to each other (these costs have not been presented separately in the financial statements).

Joint Ventures – The Utilities participates in several joint ventures that provide goods and/or services to the Utilities. There is an ongoing financial interest and responsibility by the Utilities and other participating members, which is reflected through the price each joint venture charges to provide the goods and/or services to the Utilities and other participating members. The Utilities has this ongoing financial interest and responsibility as a member of Missouri River Energy Services and the Lewis & Clark Regional Water System, Inc. The Utilities incurred the following costs through the Electric Utility Fund for the fiscal year ended June 30, 2021 from Missouri River Energy Services: \$1,220,707 for electrical power and energy services, \$2,502 for dues, \$7,146 for administrative services, and \$1,364 for meeting registrations. The Utilities charged Missouri River Energy Services \$126,020 as a reimbursement for electrical capacity generation fees and generator costs and \$25,145 as reimbursements for costs related to the "Bright Energy Solutions Program" through the Electric Utility Fund during the fiscal year ended June 30, 2021. Also, the Utilities' Electric Utility Fund received \$188,607, which flowed through from Missouri River Energy Services, for its member share of a transmission charges refund as part of a FERC settlement (reported as an "extraordinary item" in the financial statements).

The Utilities purchased water from Lewis & Clark Regional Water System, Inc. in the amount of \$211,481 and paid \$3,124 for lobbying charges through the Water Utility Fund during the fiscal year ended June 30, 2021. Financial information on each joint venture entity is not included with the Utilities' financial statements. In order to obtain financial information and financial statements on each joint venture entity, to determine whether each joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit to or burden on the Utilities, please contact the Utilities Manager at the Utilities office.

B. Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the Utilities. For the most part, the effect of interfund activity has been removed from these statements, except for interfund service billings. Governmental activities, which are supported by intergovernmental revenues and interest earnings, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Position presents the Utilities' assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization (there is no external debt for which the Utilities has to reduce the net capital assets).
- *Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function/program are offset by program revenues. Direct expenses are those clearly identifiable with a specific function/program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function/program and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function/program. Unrestricted interest and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

The Utilities reports the following major governmental fund:

Special Revenue: The Revolving Loan Fund is used to account for all funds related to “Rural Economic Development Grant” agreements between the Utilities and the USDA’s Rural Development Agency. This Revolving Loan Fund is to be used to assist in the financing, through the form of loans, approved rural economic development projects. The Revolving Loan Fund is meant to attract, retain and/or expand businesses in order to generate public benefits to the citizens of Rock Rapids and the surrounding area.

The Utilities reports the following major proprietary funds (the Utilities considers all the proprietary funds to be major):

Enterprise:

- The Electric Utility Fund is used to account for the operation and maintenance of the Utilities’ electric system.
- The Water Utility Fund is used to account for the operation and maintenance of the Utilities’ water system.
- The Sewer Utility Fund is used to account for the operation and maintenance of the Utilities’ sanitary sewer system.
- The Gas Utility Fund is used to account for the operation and maintenance of the Utilities’ gas system.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Utilities considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Utilities.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of some grant agreements, the Utilities may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the qualifying programs. It is the

Utilities' policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Utilities' policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utilities' Enterprise Funds are charges to customers for sales and services. The principal operating expenses for Enterprise Funds include production/processing expenses, distribution expenses, accounting/collecting expenses, administrative/general expenses, transportation expenses, depreciation/amortization on capital assets and payroll taxes/IPERS expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Utilities maintains its financial records on the modified accrual/accrual basis of accounting.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

The following accounting policies are followed in preparing the financial statements:

- **Cash, Certificates of Deposit (Cash Equivalent) and Certificates of Deposit (Non-Cash Equivalent)** – The cash balances of most of the Utilities funds are pooled and invested. Interest earned on investments is allocated to the appropriate fund. Investments consist of non-negotiable certificates of deposit which are stated at amortized cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid (including restricted cash) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. The Utilities held several certificates of deposit which had an initial maturity of three months or less and are considered to be cash equivalents. Cash investments not meeting the definition of cash equivalents at June 30, 2021 are included in the "certificates of deposit (non-cash equivalent)" assets account.

- **Accounts Receivable** – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Scheduled billings are done monthly for a complete calendar month's utility service. Accounts receivable represents money owed to the Utilities, primarily for utility sales, which were not paid to the Utilities as of June 30, 2021.
- **Due from Water and Sewer Utility Funds; Advances to Water and Sewer Utility Funds; Due to Gas Utility Fund; and Advances from Gas Utility Fund** – During the course of its operations, the Utilities has numerous transactions between utility funds. The Utilities Board of Trustees has also approved some interfund loans between utility funds. To the extent certain transactions and the loans between funds had not been completely paid or received as of June 30, 2021, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Due from Water and Sewer Utility Funds and due to Gas Utility Fund are considered current assets/liabilities which are scheduled to be satisfied during fiscal year 2021-2022. Advances to Water and Sewer Utility Funds and advances from Gas Utility Fund are considered non-current assets/liabilities which are not scheduled to be satisfied until after fiscal year 2021-2022.
- **Due from Other Government (Related Party)** – Due from other government (related party) represents amounts due from the City of Rock Rapids for charges for sales and services provided.

- **Due from Other Governments** – Due from other governments represents amounts due from other governments for charges for sales and services provided and intergovernmental grants.
- **Inventories** – Inventories are valued at cost using the first-in/first-out method. Inventories in the Enterprise Funds consist of materials and supplies. Inventories are recorded as expenses when consumed or sold rather than when purchased.
- **Prepaid Expenses** – Prepaid expenses represents insurance premiums and other expense payments that will benefit a future fiscal year. Prepayments are recorded as expenses when utilized rather than when paid.
- **Restricted Cash** – Funds set aside for deposits held by the Utilities (customer deposits restricted for application to unpaid customer accounts or for refund to customers) and per Federal EPA requirements (depreciation reserves – provide cash for repair and replacement of wastewater treatment plant equipment, including the eventual replacement of the entire wastewater treatment plant).
- **Capital Assets** – Capital assets, which include land; utility plant (system buildings, lines, and related equipment improvements); transportation equipment; office equipment; tools and safety devices; communication equipment; meter testing equipment; and intangibles are reported in the business type activities column in the government-wide Statement of Net Position and in the appropriate Enterprise Fund column in the proprietary funds Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Reportable capital assets acquired prior to July 1, 2004, are defined by the Utilities as assets with initial, individual costs in excess of \$500 and estimated useful lives in excess of two years. Reportable capital assets acquired after June 30, 2004, are defined by the Utilities as assets with initial, individual costs in excess of the following thresholds and have estimated useful lives in excess of two years.

Asset Class	Amount
Land, Utility Plant	\$ 10,000
Equipment, Tools and Safety Devices	5,000
Intangibles	20,000

Capital assets of the Utilities are depreciated/amortized using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Utility Plant	5-50 years
Transportation Equipment	5 years
Office Equipment	5-10 years
Tools and Safety Devices	5-10 years
Communication Equipment	5-10 years
Meter Testing Equipment	5-7 years
Intangibles	5-50 years

Construction projects that have not been completed as of June 30, 2021, are reported in the “construction work in progress” account on the Statement of Net Position.

- **Deferred Outflows of Resources** – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Utilities after the measurement date but before the end of the Utilities' reporting period.

- **Accounts Payable** – Accounts payable represent amounts owed for services performed or purchases made, but not paid, by June 30, 2021. Accounts payable related to commodities directly sold to customers are recognized at the same time the correlating utilities are billed to the customers.
- **Due to Other Government (Related Party)/Due to Other Governments** – These accounts represent state sales and use taxes, garbage and recycling collections, and payments for services and reimbursements that are due to be remitted to the City of Rock Rapids (related party) and other governments as of June 30, 2021.
- **Accrued Vacation/Comp Time Pay** – The Utilities’ personnel policy provides full-time employees with vacation pay and one employee is eligible for comp time pay. Vacation/comp time expenses for employees are charged to operations when earned by the employees in the government-wide and proprietary funds financial statements. At termination, an employee is paid for accumulated vacation/comp time. The amount recorded in the “vacation/comp time pay” account aggregated to \$67,343 at June 30, 2021 (computed based on rates of pay in effect at June 30, 2021). This liability has been presented as a “current liability” in the government-wide and proprietary fund financial statements as this liability is expected to be paid during fiscal year 2021-2022.
- **Advances from Customers** – Amounts received on customer accounts before being billed are recorded in the “advances from customers” account. Revenue is reported in the period in which it is realized or realizable and earned; therefore, when payments on accounts are received in advance of being earned, the amount applicable to future periods is deferred to future periods. The amount unearned is considered a liability because it represents an obligation to perform a service in the future arising from a past transaction.
- **Accrued Sick Leave Pay** – The Utilities’ personnel policy provides full-time employees with sick leave in varying amounts. Sick leave pay expenses for non-vested employees are charged to operations when taken by the employee. Sick leave pay expenses for vested employees are charged to operations when earned by the employee in the government-wide and proprietary funds financial statements.

An employee who has been employed by the Utilities for over ten years and terminates employment due to meeting the requirements for retirement per IPERS or as a result of passing away is entitled to 25% of unused accumulated allowable sick leave benefits. As of June 30, 2021, vested sick leave benefits for employees aggregated \$17,547 (computed based on rates of pay in effect at June 30, 2021).

This liability is recorded in the government-wide and proprietary fund financial statements as a “long-term liability” as this liability is not expected to be payable within fiscal year 2021-2022.

- **Pensions** - For purposes of measuring the net position liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
- **Deferred Inflows of Resources** - Deferred inflows of resources represent an acquisition of net position that applies to a future year(s) which will not be recognized as an inflow of resources (reduction in pension expense) until that time. Deferred inflows of resources in the Statement of Net Position consist of unrecognized items not yet charged against pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.
- **Fund Balance: Restricted** – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation. The amount of the Revolving Loan Fund’s fund balance, per the requirements of the USDA’s Rural Economic Development Grant, is required to be used for low interest loans to qualifying businesses.

- **Net Position: Restricted** – In the proprietary fund financial statements, restricted net position is reported for amounts legally restricted by an external entity for use for a specific purpose. The amount of net position restricted at June 30, 2021 is computed as follows:

	Electric Utility Fund	Water Utility Fund	Sewer Utility Fund	Gas Utility Fund	Total
Total Restricted Cash	\$ 20,313	7,210	11,239	20,174	58,936
Deposits Payable	(20,313)	(7,210)	0	(20,174)	(47,697)
Net Assets: Restricted (June 30, 2021)	\$ 0	0	11,239	0	11,239

The restricted net assets in the Sewer Utility Fund are for required depreciation reserves per Federal EPA requirements.

- **Net Position: Net Investment in Capital Assets** – The “net investment in capital assets” is reported in the government-wide Statement of Net Position as \$14,840,545 and the “net investment in capital assets” in the proprietary funds Statement of Net Position is presented as \$12,591,100. The \$2,249,445 difference is due to the removal of the capital related debt (debt attributable to the acquisition, construction or improvement of capital assets) owed by the Water and Sewer Utility Funds to the Gas Utility Fund. The effects of these interfund loans were removed from the government-wide Statement of Net Position as only external debt is reflected/affects the “net investment in capital assets.”

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. The Rock Rapids Municipal Utilities is budgeted as a part of the City of Rock Rapids. The budgetary comparison is prepared by making memorandum adjusting entries to the accrual basis financial records to convert the records to the cash basis (the basis upon which the adopted budget is prepared). During the year ended June 30, 2021, disbursements did not exceed the amount budgeted.

Note 2: Cash and Investments (Certificates of Deposit)

The Utilities’ deposits in banks at June 30, 2021, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The Utilities is authorized by statute and its written investment policy to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Utilities Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

The Utilities had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No 72.

Board Designated Reserves – The Utilities Board of Trustees has designated money to be set aside in select Enterprise Funds as reserves for depreciation. The money designated for these purposes is included in the unrestricted (current assets) cash balances as of June 30, 2021 as there is no legal responsibility that the designated amounts be used for these purposes. The amount of the Board designated reserves in the Enterprise Funds on June 30, 2021, is as follows:

	Depreciation Reserves
Electric Utility Fund	\$ 67,423
Water Utility Fund	39,190
Total Depreciation Reserves	\$ 106,613

**Note 3: Due from Water and Sewer Utility Funds; Advances to Water and Sewer Utility Funds;
Due to Gas Utility Fund; and Advances from Gas Utility Fund**

The outstanding interfund receivables and payables at June 30, 2021 were for interfund loans as follows:

- On January 27, 2006, the Gas Utility Fund loaned \$400,000 to the Water Utility Fund to assist with the payment of Lewis & Clark project membership costs. The loan carries a 4.4205 annual percentage interest rate, annual payments are scheduled at \$35,409 and final maturity date is January 27, 2022. During the fiscal year ended June 30, 2021, the Water Utility Fund paid the Gas Utility Fund \$32,466 in principal and \$2,943 in interest on this loan. The June 30, 2021 balance on this loan was \$33,910.

A summary of the annual principal and interest requirements on this loan to maturity by year is as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 33,910	1,498	35,408
Total	\$ 33,910	1,498	35,408

- On March 28, 2007, the Gas Utility Fund loaned an additional \$390,257 to the Water Utility Fund to assist with financing Lewis & Clark project membership costs. The loan carries a 4.4205 annual percentage interest rate, annual payments are scheduled at \$34,548 and final maturity date is March 28, 2023. During the fiscal year ended June 30, 2021, the Water Utility Fund paid the Gas Utility Fund \$30,344 in principal and \$4,204 in interest on this loan. The June 30, 2021 balance on this loan was \$64,770.

A summary of the annual principal and interest requirements on this loan to maturity by year is as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 31,685	2,863	34,548
2023	33,085	1,463	34,548
Total	\$ 64,770	4,326	69,096

- On April 1, 2012, the Gas Utility Fund loaned \$625,000 to the Water Utility Fund to assist with costs related to the gravity filter rehabilitation project. The loan carries a 4.33 annual percentage interest rate, annual payments are scheduled at \$47,353 and final maturity date is April 1, 2032. During the fiscal year ended June 30, 2021, the Water Utility Fund paid the Gas Utility Fund \$28,476 in principal and \$18,877 in interest on this loan. The June 30, 2021 balance on this loan was \$407,487.

A summary of the annual principal and interest requirements on this loan to maturity by year(s) is as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 29,709	17,644	47,353
2023	30,995	16,358	47,353
2024	32,296	15,057	47,353
2025	33,735	13,618	47,353
2026	35,196	12,157	47,353
2027-2031	200,175	36,588	236,763
2032	45,382	1,969	47,351
Total	\$ 407,488	113,391	520,879

- On November 1, 2013, the Gas Utility Fund loaned \$450,000 to the Water Utility Fund to assist with costs related to the painting of the east water tower project. The loan carries a 4.33 annual percentage interest rate, annual payments totaling \$33,669 (payments are made on a monthly basis) are scheduled and final maturity date is November 1, 2033. During the fiscal year ended June 30, 2021, the Water Utility Fund paid the Gas Utility Fund \$19,232 in principal and \$14,437 in interest on this loan. The June 30, 2021 balance on this loan was \$322,941.

A summary of the annual principal and interest requirements on this loan to maturity by year(s) is as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 20,081	13,588	33,669
2023	20,969	12,700	33,669
2024	21,895	11,774	33,669
2025	22,862	10,807	33,669
2026	23,872	9,797	33,669
2027-2031	136,137	32,210	168,347
2032-2034	77,125	4,245	81,370
Total	\$ 322,941	95,121	418,062

- On July 1, 2016, the Gas Utility Fund loaned \$225,000 to the Sewer Utility Fund to assist with costs related to the waste water basin project. The loan carries a 2.20 annual percentage interest rate, annual payments totaling \$25,086 (payments are made on a monthly basis) are scheduled and final maturity date is July 1, 2026. During the fiscal year ended June 30, 2021, the Sewer Utility Fund paid the Gas Utility Fund \$22,169 in principal and \$2,917 in interest on this loan. The June 30, 2021 balance on this loan was \$120,545.

A summary of the annual principal and interest requirements on this loan to maturity by year is as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 22,662	2,424	25,086
2023	23,166	1,920	25,086
2024	23,680	1,406	25,086
2025	24,206	880	25,086
2026	24,745	341	25,086
2027	2,086	4	2,090
Total	\$ 120,545	6,975	127,520

- On October 1, 2017, the Gas Utility Fund loaned \$250,000 to the Water Utility Fund to assist with costs related to the west water tower painting project. The loan carries a 3.00 annual percentage interest rate, annual payments totaling \$16,638 (payments are made on a monthly basis) are scheduled and final maturity date is October 1, 2037. During the fiscal year ended June 30, 2021, the Water Utility Fund paid the Gas Utility Fund \$10,035 in principal and \$6,603 in interest on this loan. The June 30, 2021 balance on this loan was \$214,629.

A summary of the annual principal and interest requirements on this loan to maturity by year(s) is as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 10,340	6,298	16,638
2023	10,655	5,983	16,638
2024	10,979	5,659	16,638
2025	11,313	5,325	16,638
2026	11,657	4,981	16,638
2027-2031	63,824	19,365	83,189
2032-2036	74,140	9,049	83,189
2037-2038	21,721	463	22,184
Total	\$ 214,629	57,123	271,752

- On January 1, 2018, the Gas Utility Fund loaned \$500,000 to the Water Utility Fund to assist with costs related to the 140th Street water pipeline project. The loan carries a 3.00 annual percentage interest rate, annual payments totaling \$33,276 (payments are made on a monthly basis) are scheduled and final maturity date is January 1, 2033. During the fiscal year ended June 30, 2021, the Water Utility Fund paid the Gas

Utility Fund \$19,921 in principal and \$13,355 in interest on this loan. The June 30, 2021 balance on this loan was \$434,331.

A summary of the annual principal and interest requirements on this loan to maturity by year(s) is as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 20,527	12,749	33,276
2023	21,151	12,125	33,276
2024	21,794	11,482	33,276
2025	22,457	10,819	33,276
2026	23,140	10,136	33,276
2027-2031	126,697	39,682	166,379
2032-2036	147,173	19,206	166,379
2037-2038	51,392	1,295	52,687
Total	\$ 434,331	117,494	551,825

- On September 1, 2018, the Gas Utility Fund loaned \$200,000 to the Water Utility Fund to assist with costs related to the Union Street Bridge project. The loan carries a 3.00 annual percentage interest rate, annual payments totaling \$23,174 (payments are made on a monthly basis) are scheduled and final maturity date is September 1, 2028. During the fiscal year ended June 30, 2021, the Water Utility Fund paid the Gas Utility Fund \$18,350 in principal and \$4,824 in interest on this loan. The June 30, 2021 balance on this loan was \$150,831.

A summary of the annual principal and interest requirements on this loan to maturity by year(s) is as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 18,908	4,266	23,174
2023	19,483	3,691	23,174
2024	20,076	3,098	23,174
2025	20,686	2,488	23,174
2026	21,316	1,858	23,174
2027-2029	50,362	1,782	52,144
Total	\$ 150,831	17,183	168,014

- On June 26, 2020, the Gas Utility Fund loaned \$100,000 to the Sewer Utility Fund to provide funding for a contribution to the City of Rock Rapids to assist with the costs of a sewer lining project. The loan carried a 2.00 annual percentage interest rate. During the fiscal year ended June 30, 2021, the Sewer Utility Fund satisfied this entire loan by paying the Gas Utility Fund \$100,000 in principal and \$1,688 in interest.
- On August 4, 2020, the Gas Utility Fund loaned \$150,000 to the Water Utility Fund to assist with costs related to the Williams Addition project. The loan carries a 2.00 annual percentage interest and the entire amount of principal is scheduled to paid at the August 4, 2022 maturity date. During the fiscal year ended June 30, 2021, the Water Utility Fund paid the Gas Utility Fund \$3,000 in interest on this loan. The June 30, 2021 balance on this loan was \$150,000.

A summary of the annual principal and interest requirements on this loan to maturity by year is as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 150,000	3,000	153,000
Total	\$ 150,000	3,000	153,000

- On June 24, 2021, the Gas Utility Fund loaned \$350,000 to the Water Utility Fund to assist with costs related to the Williams Addition project. The loan carries a 0.00 annual percentage interest rate, annual payments are scheduled at \$17,500 and final maturity date is June 24, 2041. There were no payments made during the fiscal year ended June 30, 2021. The June 30, 2021 balance on this loan was \$350,000.

A summary of the annual principal requirement on this loan to maturity by year(s) is as follows:

Year Ending June 30,	Principal
2022	\$ 17,500
2023	17,500
2024	17,500
2025	17,500
2026	17,500
2027-2031	87,500
2032-2036	87,500
2037-2041	87,500
Total	\$ 350,000

- The balances in the “Due From and Due to Other Utility Funds” and “Advance To and Advance From Other Utility Funds” are for the aforementioned loans between funds and accrued interest on these loans as follows:

Assets	Receivable Utility			
	Electric	Water	Sewer	Gas
Due From/For:				
Loan (Current Portion)	\$ 0	0	0	205,322
Accrued Interest on Loans	0	0	0	8,943
Total Due From/For	0	0	0	214,265
Advances To:				
Loan (Non-Current Portion)	0	0	0	2,044,123
Total Assets	\$ 0	0	0	2,258,388

Liabilities	Payable Utility			
	Electric	Water	Sewer	Gas
Due To/For:				
Loan (Current Portion)	\$ 0	182,660	22,662	0
Accrued Interest on Loans	0	8,722	221	0
Total Due To/For	0	191,382	22,883	0
Advances From:				
Loan (Non-Current Portion)	0	1,946,240	97,883	0
Total Liabilities	\$ 0	2,137,622	120,766	0

Note 4: Notes Receivable - Rock Rapids Development Corporation

On September 28, 2009, the Rock Rapids Municipal Utilities loaned \$140,000 from the Gas Utility Fund to the Rock Rapids Development Corporation to be used toward the purchase of approximately 28 acres of real estate in Rock Rapids, Iowa for development purposes. This promissory draw note loan earns interest at a rate of 2.5% per annum (accrued interest is to be paid annually with interest computed through December 31st of each year) and is secured by a real estate mortgage on the parcel of real estate noted above.

The Rock Rapids Development Corporation is to pay all principal and unpaid interest due per this promissory draw note no later than thirty days after written demand for such payment by the Rock Rapids Municipal Utilities,

provided, however, that the entire amount of loan outstanding and any unpaid interest shall be paid no later than twenty years after September 28, 2010, and provided further, however, that upon the sale of any part or all of the 28 acres, the Rock Rapids Development Corporation shall repay that percentage of such net sale proceeds from the sale, which are equivalent to the percentage of acres sold from the original 28 acres purchased from the proceeds of this loan. If the Rock Rapids Development Corporation sells all 28 acres, the Rock Rapids Development Corporation shall repay the Rock Rapids Municipal Utilities all unpaid principal and interest no later than 30 days after final closing on such sale. As of June 30, 2020, \$98,350 of the note receivable was still outstanding as 8.33 acres of the 28-acre parcel of real estate had been sold. During the fiscal year ended June 30, 2021, none of the remaining 19.67 acres of real estate were sold; therefore, there were no principal payments made on the note receivable (resulting in the June 30, 2021 outstanding balance remaining at \$98,350). This note receivable did generate \$2,459 in interest income during the fiscal year for the Gas Utility Fund.

On July 7, 2017, the Rock Rapids Municipal Utilities loaned \$55,250 from the Gas Utility Fund to the Rock Rapids Development Corporation to be used toward the purchase of the property located at 1103 First Avenue along Iowa Highway 9. This promissory note earns interest at a rate of 2% per annum (accrued interest is to be paid annually with interest computed through June 30th of each year) and is secured by a real estate mortgage on the parcel of real estate noted above. This promissory note is for a period of ten years with a combined principal and interest of \$6,151 due on an annual basis on July 1 of each year. The Rock Rapids Development Corporation shall have the right to make additional principal payments at any time. However, upon the sale, gift, or transfer in any way of the property, the Rock Rapids Development Corporation shall be required to pay the balance of the loan to the Rock Rapids Municipal Utilities in full. The June 30, 2020 balance on this note receivable was \$45,058. During the fiscal year ended June 30, 2021, the Rock Rapids Development Corporation paid the Gas Utility Fund \$5,250 in principal and \$901 in interest on this note receivable. The June 30, 2021 outstanding balance on this note receivable was \$39,808.

On June 30, 2021, the combined outstanding balance of the Gas Utility Fund's notes receivable from the Rock Rapids Development Corporation totaled \$138,158 (\$98,350, and \$39,808, respectively) with \$5,355 being reported as a "current asset" and the remaining \$132,803 being reported as an "other asset" in the Gas Utility Fund.

On September 2, 2016, the Electric Utility Fund borrowed the Rock Rapids Development Corporation \$48,000. The Utilities agreed to the repayment of the \$48,000 note receivable by the Utilities accepting an assignment of a real estate contract the Rock Rapids Development Corporation had with a local business. As part of the agreement to accept the contract, the Utilities was assigned the collateral to the corresponding real estate. Per the terms of the assigned contract, there was no interest to be charged on the balance of the real estate contract. The June 30, 2020 balance on this note receivable was \$40,060. During the fiscal year ended June 30, 2021, the entire balance of \$40,060 was paid off in full to the Electric Utility Fund.

Note 5: Notes Receivable – Rock Rapids Kids Club

On June 30, 2015, the Rock Rapids Municipal Utilities loaned \$500,000 from the Electric Utility Fund to Rock Rapids Kids Club, Inc. to be used toward the construction of a new daycare center in Rock Rapids, Iowa. This promissory note earns interest at a rate of 3% per annum (principal and accrued interest of \$37,500 is to be paid semi-annually from January 1, 2016 through January 1, 2023) and is secured by assets of the Rock Rapids Kids Club including real estate. Principal and interest not paid when due shall draw interest at the rate of 5% per annum. Additionally, the Rock Rapids Kids Club has assigned all right, title, and interest to its Lyon County Riverboat Foundation grant award of 20 equal semi-annual installments of \$37,500 until the \$500,000 note is satisfied.

The June 30, 2020 balance on this note receivable was \$135,613. During the fiscal year ended June 30, 2021, Rock Rapids Kids Club paid the Electric Utility Fund \$70,690 in principal and \$4,310 in interest on this note receivable. As of June 30, 2021, the outstanding note receivable balance was \$64,923. The entire remaining principal amount of \$64,923 is being reported as a "current asset" in the Electric Utility Fund as the Rock Rapids Kids Club is expected to pay off the remaining balance during fiscal year 2021-2022.

Note 6: Note Receivable – Housing Development Incentive Program

In April 2013, the Rock Rapids Municipal Utilities Board of Trustees approved the establishment of a “Housing Development Incentive Program.” This program provided for forgivable notes in the amount of \$5,000 per platted residential lot with the program available to developers of a minimum of six lots with infrastructure (including street, storm sewer, water main, etc.). The terms of the forgivable notes are that interest is to be paid annually at the established interest rate, the Utilities will receive a second mortgage to the developer’s primary lender and, if there is a balance due after 15 years from the date of the note, the remaining balance and any accrued interest will become due immediately. The notes will be forgiven in the amount of \$5,000 per lot when a lot is sold, the deed to the purchaser is recorded and accrued interest is paid up to the date of the recording of the deed. When 75% of the approved lots are sold and the deeds are recorded, accrued interest becomes due and once paid, the remaining note balance will be forgiven.

As of June 30, 2020, there were two notes outstanding in this program in the Gas Utility Fund which totaled \$74,607 (\$20,000 and \$54,607, respectively). Each loan carries a 4% interest rate with interest due annually. During the fiscal year ended June 30, 2021, \$25,000 of the notes receivable balance qualified to be forgiven by the Utilities (recorded as “free community service” in the financials). As of June 30, 2021, two “Housing Incentive Development Program” notes receivable totaling \$49,607 remain outstanding (the entire balance is reported as a “current asset” in the Gas Utility Fund). Interest of \$2,581 was earned on these notes receivable by the Gas Utility Fund during fiscal year 2020-2021.

As of January 1, 2017, the Utilities Board of Trustees discontinued the “Housing Development Incentive Program”. Notes issued through the program before 2017 are being allowed to complete the program as originally approved.

Note 7: Notes Receivable – Rock Rapids Businesses (Original & Relent)

The Revolving Loan Fund was established to attract, retain and/or expand businesses, through the offering of low interest rate business loans, in order to generate public benefits to the citizens of Rock Rapids and the surrounding area. The Revolving Loan Fund has been primarily funded by \$1,200,000 in the form of four “Rural Economic Development Grants” and \$240,000 in total by matching Utilities contributions (\$120,000 from the Gas Utility Fund and \$120,000 from the Electric Utility Fund). Through fiscal year ended June 30, 2021, three \$360,000 loans were issued from the Revolving Loan Fund to help in the financing of building three commercial spec buildings that were sold on contract to local businessmen and one \$360,000 loan was issued from the Revolving Loan Fund to help in the financing of equipment for a new hospital in Rock Rapids. The sales contracts and corresponding collateral on the real estate notes were assigned to the Utilities and the Utilities obtained a security agreement as collateral on the equipment for the new hospital. At the end of the fiscal year ended June 30, 2021, two of the four notes receivable have an outstanding balance. Payments on these notes are based on a 0% interest rate (as awarded by the Revolving Loan Fund Program) with \$3,000/month for one of the remaining loans and \$3,333/month for the other remaining loan until the loans are paid in full in ten years. These notes receivable are classified as “Rock Rapids businesses (original)” in the Revolving Loan Fund.

As these contracts are being repaid, the Utilities has money coming available that can be loaned to area businesses for new endeavors, to maintain and assist with retention of existing businesses and for expansion projects. The Utilities has made seven loans from the money repaid back into the Revolving Loan Fund and six of the notes were outstanding as of the fiscal year ended June 30, 2021. The notes receivable carry either a one or two percent interest rate and are payable over essentially ten years. These notes receivable are secured by collateral of land, buildings, fixtures on the property, select equipment and a personal guarantee by the owners of the business. There were three new relent loans totaling \$375,000 issued during fiscal year 2020-2021. These notes receivable are classified as “Rock Rapids businesses (relent)” in the Revolving Loan Fund. The relent notes receivable generated \$5,768 of interest income in the Revolving Loan Fund during fiscal year 2020-2021.

As of June 30, 2021, the outstanding notes receivable - Rock Rapids businesses (original) and (relent) balances in total were \$505,000 and \$543,627, respectively. The amount of principal coming due in fiscal year 2021-2022 on the notes (original) and (relent) amount to \$76,000 and \$58,851, respectively, and are being reported as “current assets” in the Revolving Loan Fund. The remaining outstanding principal on the notes (original) and (relent) of \$429,000 and \$484,776, respectively, are being reported as “other assets” in the Revolving Loan Fund.

Note 8: Capital Assets

Capital assets activity for the fiscal year ended June 30, 2021 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business Type Activities:				
Capital Assets Not Being Depreciated/ Amortized:				
Land	\$ 179,087	317,017	0	496,104
Construction Work in Progress	352,049	1,506,518	(1,404,351)	454,216
Total Capital Assets Not Being Depreciated/Amortized	531,136	1,823,535	(1,404,351)	950,320
Capital Assets Being Depreciated/Amortized:				
Utility Plant	23,864,969	1,404,351	0	25,269,320
Transportation Equipment	431,660	32,841	(20,361)	444,140
Office Equipment	71,114	0	0	71,114
Tools and Safety Devices	330,117	0	0	330,117
Communication Equipment	3,239	0	0	3,239
Meter Testing Equipment	5,668	0	0	5,668
Intangibles	1,127,064	0	0	1,127,064
Total Capital Assets Being Depreciated/Amortized	25,833,831	1,437,192	(20,361)	27,250,662
Less Accumulated Depreciation/Amortization For:				
Utility Plant	12,011,013	477,715	0	12,488,728
Transportation Equipment	300,377	32,430	(20,361)	312,446
Office Equipment	50,876	7,221	0	58,097
Tools and Safety Devices	226,467	20,296	0	246,763
Communication Equipment	3,241	0	0	3,241
Meter Testing Equipment	5,668	0	0	5,668
Intangibles	223,436	22,058	0	245,494
Total Accumulated Depreciation/Amortization	12,821,078	559,720	(20,361)	13,360,437
Total Capital Assets Being Depreciated/Amortized, Net	13,012,753	877,472	0	13,890,225
Business Type Activities Capital Assets, Net	\$ 13,543,889	2,701,007	(1,404,351)	14,840,545

Depreciation/amortization expense was charged to the different Utilities as follows:

Business Type Activities:	
Electric Utility	\$ 227,675
Water Utility	209,119
Sewer Utility	66,542
Gas Utility	56,384
Total Depreciation/Amortization Expense – Business Type Activities	\$ 559,720

Intangible (Lewis & Clark Project Membership); Utility Plant (Lewis & Clark Member Specific Costs)

On June 27, 2002, the Rock Rapids Municipal Utilities entered into an agreement with the Lewis and Clark Regional Water System, Inc. to become a member in Lewis & Clark Regional Water System, Inc. On December 22, 2005, the Rock Rapids Municipal Utilities entered into an amended and restated commitment agreement with the Lewis & Clark Regional Water System, Inc. In the amended and restated commitment agreement, the Utilities agreed to pay the Utilities' allocated construction percentage of the base system costs (examples: administrative, overhead, engineering, financing, debt service, legal costs and fees) and related membership/lobbying fees. In October 2011, the Utilities began to receive water through the Lewis and Clark system as the construction of the distribution system was substantially done and water was available through the system. At that time, the Utilities reclassified the membership costs from an "other asset" to a "capital asset" in the Government-Wide and Proprietary Funds financial statements by capitalizing an "intangible asset" of \$1,053,589, which represents the total amount paid toward the cost of membership, which includes base system costs and related membership/lobbying fees. The "intangible asset" is being amortized over 50 years which represents the length of time the distribution system is guaranteed to be available to its members.

If the Rock Rapids Municipal Utilities would withdraw from membership in Lewis & Clark Regional Water System, Inc., the Utilities would forfeit all amounts paid to Lewis & Clark Regional Water System, Inc., whether in the form of membership fees, construction payments or amounts placed on deposit in the "Maintenance and Repair Fund," the "Capital Improvement Fund" or the "Operating Reserve Fund."

The Rock Rapids Municipal Utilities has agreed to purchase a minimum of 137,500 gallons of potable, treated water per day, on average, each month at the water rates and charges set by Lewis & Clark Regional Water System, Inc. The Utilities has also agreed to pay for the design and construction of service lines plus all other member specific costs. Member specific costs that meet the capitalization policy are included in the utility plant account in the Water Utility Fund.

Note 9: Long-Term Liabilities

A summary of changes in long-term liabilities, other than "advances from gas utility fund" account, for the fiscal year ended June 30, 2021 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business Type Activities:				
Accrued Sick Leave Pay	\$ 19,008	0	(1,461)	17,547
Net Pension Liability	505,966	70,713	0	576,679
Total	<u>\$ 524,974</u>	<u>70,713</u>	<u>(1,461)</u>	<u>594,226</u>

Note 10: Due to Other Governments and Due to Other Governments – Related Party

The Utilities purchases services from other governmental units, pays required fees to regulatory entities, remits sales and use tax to the State of Iowa, reimburses the City of Rock Rapids for expenses/project costs, and remits garbage and recycling collections to the City of Rock Rapids.

A summary of amounts due to other governments follows:

Fund	Description	Amount
Electric Utility	State Sales Tax	\$ 4,413
Water Utility	State Sales Tax & Fees	2,270
Sewer Utility	State Sales Tax	346
Gas Utility	State Sales Tax	1,058
Total Due to Other Governments		<u>\$ 8,087</u>

A summary of amounts due to other governments–related party (City of Rock Rapids) follows:

Fund	Description	Amount
Gas Utility	Garbage & Recycling Collections	\$ 24,057
Total Due to Other Governments (Related Party)		\$ 24,057

Note 11: Iowa VWSEMT Program and Hazard Mitigation Grant - "Special Items"; FERC Settlement – Transmission Refund – “Extraordinary Item”

The Rock Rapids Municipal Utilities was awarded up to a maximum of \$24,000 for Iowa’s Volkswagen Settlement Environmental Mitigation Trust (Iowa VWSEMT) program from the Iowa Department of Transportation. The funding received is related to the costs of installing an electric vehicle charger in Rock Rapids. Qualified expenses include the cost of the equipment, charges for installation and system upgrades needed to properly install and operate an electric vehicle charger. The “electric vehicle charger” project started during fiscal year 2020-2021 and was still in progress as of June 30, 2021. The total qualified expenses incurred during the fiscal year ended June 30, 2021 and eligible to be reimbursed by the program amounted to \$11,576. This program revenue is reported as a “special item” in the Electric Utility Fund.

The Rock Rapids Municipal Utilities was awarded a Homeland Security Hazard Mitigation Grant for reimbursement of costs related to the “water treatment plant generator” project. The award consists of 75% federal and 10% state reimbursement toward a maximum of \$108,731 in total costs for labor and materials related to the project. The project started during fiscal year 2020-2021 and was still in progress as of June 30, 2021. The total qualified expenses for the “water treatment plant generator” project during fiscal year ended June 30, 2021 amounted to \$25,852. The total qualified expenses to be reimbursed by the grant amounted to \$21,974. This grant revenue is reported as a “special item” in the Water Utility Fund.

During the fiscal year ended June 30, 2021, the Rock Rapids Municipal Utilities received \$188,607 as a distribution from Missouri River Energy Services for its member share of a refund for transmission charges as part of a FERC settlement. The revenue is reported as an “extraordinary item” in the Electric Utility Fund.

Note 12: Pension Plan

Plan Description - IPERS membership is mandatory for employees of the Utilities, except for those covered by another retirement system. Employees of the Utilities are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member’s first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member’s highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Utilities contributed 9.44% of covered payroll for a total rate of 15.73%.

The Utilities' total contributions to IPERS for the year ended June 30, 2021 totaled \$64,516.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the Utilities reported a liability of \$576,679 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utilities' proportion of the net pension liability was based on the Utilities' share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the Utilities' collective proportion was .008209%, which was a decrease of (0.000529%) from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Utilities recognized pension expense of \$84,427. At June 30, 2021, the Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 637	13,669
Changes of Assumptions	29,601	0
Net Difference Between Projected and Actual Earnings on IPERS' Investments	32,419	0
Changes in Proportion and Differences Between Utilities Contributions and the Utilities' Proportionate Share of Contributions	5,749	28,417
Utilities Contributions Subsequent to Measurement Date	64,516	0
Total	\$ 132,922	42,086

\$64,516 reported as deferred outflows of resources related to pensions resulting from the Utilities contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended, June 30	Total
2022	\$ 362
2023	6,159
2024	7,550
2025	14,658
2026	(2,409)
Total	<u>\$ 26,320</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Rate of Inflation (Effective June 30, 2017)	2.60% per Annum
Rates of Salary Increase (Effective June 30, 2017)	3.25 to 16.25% Average, Including Inflation. Rates Vary by Membership Group
Long-Term Investment Rate of Return (Effective June 30, 2017)	7.00% Compounded Annually, Net of Investment Expense, Including Inflation
Wage Growth (Effective June 30, 2017)	3.25% per Annum, Based on 2.60% Inflation and 0.65% Real Wage Inflation

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22.0%	4.43%
International Equity	17.5	5.15
Global Smart Beta Equity	6.0	4.87
Core Plus Fixed Income	28.0	(0.29)
Public Credit	4.0	2.29
Cash	1.0	(0.78)
Private Equity	11.0	6.54
Private Real Assets	7.5	4.48
Private Credit	3.0	3.11
Total	<u>100.0%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Utilities will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Utilities' Proportionate Share of the Net Pension Liability to Changes in the Discount

Rate - The following presents the Utilities' proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Utilities' proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Utilities' Proportionate Share of the Net Pension Liability:	\$ 961,564	576,679	253,959

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2021, the Utilities did not report any amounts payable to IPERS for legally required employer contributions or employee contributions withheld from employee wages which had not yet been remitted to IPERS.

Note 13: Major Customer

Lyon and Sioux Rural Water System, Inc. is a major customer of the Water Utility. Water sales to Lyon and Sioux Rural Water System, Inc., amounted to \$496,817 or 53.48% of the total operating water revenues for the fiscal year ended June 30, 2021.

Note 14: Risk Management

The Rock Rapids Municipal Utilities is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utilities assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 15: Employee Health Insurance Coverage

The Rock Rapids Municipal Utilities provided group health insurance coverage for eligible employees throughout the fiscal year ended June 30, 2021. Under the Wellmark Blue Cross/Blue Shield plan, the deductible for family coverage is \$4,000, while the deductible for individual coverage is \$2,000. The Utilities agreed to pay the remaining amount of the deductible after the employee pays the first \$750 in deductible for single plans and the first \$1,500 of the deductible for family coverage.

Note 16: Commitments

In June 2019, the Utilities agreed to provide and make available up to \$20,000 of local monies from the Water Utility Fund to be used to meet the minimum 15% match requirement for the "Hazard Mitigation Grant" for assistance with costs related to the "Water Treatment Plant Generator" project. The estimated project cost is \$108,731, with the federal share not exceeding 75%, the state share not exceeding 10%, and the local share being a minimum of 15% of the total project cost (the Utilities minimum 15% share can be either cash or in-kind match). In

February 2021, the Utilities entered into a contract for \$103,653 for the “Water Treatment Plant Generator” project. As of June 30, 2021, costs of \$25,852 had been incurred against the contract. The balance of \$77,801 remaining at June 30, 2021 will be paid as work on the project progresses. The total qualified expenses to be reimbursed by the “Hazard Mitigation Grant” amounted to \$21,974. This grant revenue is reported as a “special item” in the Water Utility Fund.

In June 2017, the Utilities entered into a contract for \$52,000 to replace the relays at the Cleveland Station to be paid from the Electric Utility Fund. As of June 30, 2021, costs of \$23,215 had been incurred against the contract. The balance of \$28,785 remaining at June 30, 2021 will be paid as work on the project progresses.

In September 2019, the Utilities approved a letter to the US Department of Commerce providing confirmation of a commitment of up to \$815,000 in unencumbered cash for the purpose of matching funds for the application of an “economic development administration public works program” grant related to a joint project within Lyon County. As of June 30, 2021, the project was in progress but the Utilities did not have to make any payments toward matching funds.

In October 2019, the Utilities entered into a contract for lintel repair of the municipal utilities building at a price of up to \$58,100 on a time and materials basis to be paid from the Electric Utility Fund. As of June 30, 2021, costs of \$46,348 had been incurred against the contract. The balance of \$11,752 remaining at June 30, 2021 will be paid as work on the project progresses.

Note 17: Subsequent Events

In August 2021, the Utilities approved a payment of \$77,801 from the Water Utility Fund for the balance remaining on the “Water Treatment Plant Generator” project contract which was approved in February 2021.

Note 18: Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 19: Covid - 19

In March 2020, the COVID–19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the Rock Rapids Municipal Utilities, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the Rock Rapids Municipal Utilities. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the Rock Rapids Municipal Utilities.

Note 20: Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement will require revised financial reporting for leases meeting certain parameters.

Required Supplementary Information

Rock Rapids Municipal Utilities

ROCK RAPIDS MUNICIPAL UTILITIES

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –

Budget and Actual (Cash Basis) – Governmental Fund and Proprietary Funds

Required Supplementary Information

Fiscal Year Ended June 30, 2021

	Governmental Fund Actual	Proprietary Funds Actual	Total Actual	Adopted Budgeted Amounts		Final to Actual Variance
				Original	Final	
Receipts:						
Use of Money and Property	\$ 6,762	157,221	163,983	0	0	163,983
Intergovernmental	0	17,132	17,132	0	0	17,132
Charges for Fees & Service:						
Electric Utility	0	2,440,528	2,440,528	2,625,307	2,625,307	(184,779)
Water Utility	0	922,395	922,395	906,983	906,983	15,412
Sewer Utility	0	370,534	370,534	379,101	379,101	(8,567)
Gas Utility	0	1,359,075	1,359,075	1,469,632	1,469,632	(110,557)
Other Fees & Charges for Service	0	0	0	9,866	9,866	(9,866)
Miscellaneous	329,412	311,263	640,675	0	0	640,675
Total Receipts	336,174	5,578,148	5,914,322	5,390,889	5,390,889	523,433
Disbursements:						
Business Type/Enterprise Activities:						
Electric Utility	0	3,226,231	3,226,231	3,974,370	4,006,870	780,639
Water Utility	0	1,126,289	1,126,289	1,132,083	1,132,083	5,794
Sewer Utility	0	267,089	267,089	371,117	371,117	104,028
Gas Utility	0	1,578,684	1,578,684	1,452,360	1,642,360	63,676
Other Activities (Revolving Loans to Businesses)	375,000	0	375,000	207,866	382,866	7,866
Total Disbursements (Business Type Activities)	375,000	6,198,293	6,573,293	7,137,796	7,535,296	962,003
Deficiency of Receipts Under Disbursements	(38,826)	(620,145)	(658,971)	(1,746,907)	(2,144,407)	1,485,436
Cash and Certificates of Deposit (Unrestricted and Restricted) - Balances Beginning of Year	463,853	5,323,368	5,787,221	4,539,210	4,539,210	1,248,011
Cash and Certificates of Deposit (Unrestricted and Restricted) - Balances End of Year	\$ 425,027	4,703,223	5,128,250	2,792,303	2,394,803	2,733,447

See Accompanying Independent Auditor's Report.

ROCK RAPIDS MUNICIPAL UTILITIES

Budget to GAAP Reconciliation

Required Supplementary Information

Fiscal Year Ended June 30, 2021

	Governmental Fund			Proprietary Funds		
	Special Revenue			Enterprise		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Receipts/Revenues/Special Items/ Extraordinary Item	\$ 336,174	(329,116)	7,058	5,578,148	(90,736)	5,487,412
Disbursements/Expenses	375,000	(375,000)	0	6,198,293	(1,303,091)	4,895,202
Net	(38,826)	45,884	7,058	(620,145)	1,212,355	592,210
Beginning Fund Balance/Net Position	463,853	1,003,313	1,467,166	5,323,368	13,831,520	19,154,888
Ending Fund Balance/Net Position	\$ 425,027	1,049,197	1,474,224	4,703,223	15,043,875	19,747,098

See Accompanying Independent Auditor's Report.

ROCK RAPIDS MUNICIPAL UTILITIES

Notes to Required Supplementary Information – Budgetary Reporting Fiscal Year Ended June 30, 2021

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the major Special Revenue Fund and each major proprietary (Enterprise) fund.

In accordance with the Code of Iowa, the Utilities Board of Trustees annually approves a budget on the cash basis of accounting. The Utilities Board of Trustees submits the approved budget to the Rock Rapids City Council. The cash basis budget is adopted by the Rock Rapids City Council following required public notice and hearing for all funds. The Utilities budget is included as part of the City of Rock Rapids budget. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances and accruals are not recognized on the cash basis budget and appropriations lapse at year end.

The Utilities budgeted all its receipts under the “charges for service” classification. Actual receipts primarily came from this receipt classification; however, the Utilities did also have receipts come from the “use of money and property,” “intergovernmental” and “miscellaneous” receipts classifications. Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type/enterprise activities. Function disbursements required to be budgeted include disbursements for the Utilities’ Special Revenue Fund and the Enterprise Funds. All Utility disbursements are included in the business type/enterprise activities function classification on the City’s adopted budget. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the fiscal year, the Utilities had the City of Rock Rapids adopt one budget amendment, which increased budgeted disbursements by \$397,500. The budget amendment is reflected in the final budgeted amounts.

During the fiscal year ended June 30, 2021, actual disbursements in the business type/enterprise activities function did not exceed the amended amount budgeted for the Utilities.

ROCK RAPIDS MUNICIPAL UTILITIES
Schedule of the Utilities' Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last Seven Fiscal Years*
Required Supplementary Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Utilities' Proportion of the Net Pension Liability	0.008209%	0.008738%	0.008561%	0.008535%	0.009065%	0.008641%	0.008527%
Utilities' Proportionate Share of the Net Pension Liability	\$ 576,679	505,966	541,755	568,566	570,500	429,579	345,098
Utilities' Covered Payroll	\$ 650,058	664,967	643,433	637,128	650,549	595,689	569,396
Utilities' Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	88.71%	76.09%	84.20%	89.24%	87.70%	72.11%	60.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See Accompanying Independent Auditor's Report.

ROCK RAPIDS MUNICIPAL UTILITIES

Schedule of Utilities Contributions

Iowa Public Employees' Retirement System

Last Ten Fiscal Years

Required Supplementary Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily Required Contribution	\$ 64,516	61,502	62,773	57,459	56,896	58,094	53,195	50,847	47,770	43,859
Contributions in Relation to the Statutorily Required Contribution	<u>\$ (64,516)</u>	<u>(61,502)</u>	<u>(62,773)</u>	<u>(57,459)</u>	<u>(56,896)</u>	<u>(58,094)</u>	<u>(53,195)</u>	<u>(50,847)</u>	<u>(47,770)</u>	<u>(43,859)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Utilities' Covered Payroll	\$ 686,414	650,058	664,967	643,433	637,128	650,549	595,689	569,396	550,975	543,483
Contributions as a Percentage of Covered Payroll	9.40%	9.46%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%

See Accompanying Independent Auditor's Report.

ROCK RAPIDS MUNICIPAL UTILITIES

Notes to Required Supplementary Information – Pension Liability Year Ended June 30, 2021

Changes of Benefit Terms:

There are no significant changes in benefit terms.

Changes of Assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

Rock Rapids Municipal Utilities

ROCK RAPIDS MUNICIPAL UTILITIES

Schedule 1 – Electric Utility Fund – Comparative Statements of Net Position

	June 30,		Amount of Change	Percentage of Change
	2021	2020		
Assets				
Current Assets:				
Cash	\$ 443,987	230,386	213,601	93%
Certificates of Deposit (Cash Equivalent)	175,000	0	175,000	N/A
Certificates of Deposit (Non-Cash Equivalent)	1,325,000	2,150,000	(825,000)	(38%)
Accounts Receivable	129,430	137,457	(8,027)	(6%)
Due From Other Governments (Related Party)	3,924	3,384	540	16%
Due From Other Governments	29,258	12,924	16,334	126%
Interest Receivable	2,222	12,303	(10,081)	(82%)
Flex Spending Plan Receivable	2,288	1,613	675	42%
Note Receivable - Rock Rapids Development Corporation	0	2,060	(2,060)	(100%)
Note Receivable - Rock Rapids Kids Club	64,923	32,965	31,958	97%
Inventories	203,325	211,340	(8,015)	(4%)
Prepaid Expenses	26,140	24,866	1,274	5%
Total Current Assets	2,405,497	2,819,298	(413,801)	(15%)
Restricted Cash:				
Customer Deposits	20,313	26,328	(6,015)	(23%)
Capital Assets - Net:				
Land	137,430	46,913	90,517	193%
Utility Plant	11,820,342	10,802,052	1,018,290	9%
Transportation Equipment	208,220	195,740	12,480	6%
Office Equipment	38,402	38,402	0	0%
Tools and Safety Devices	159,266	159,266	0	0%
Communication Equipment	3,239	3,239	0	0%
Intangibles	11,990	11,990	0	0%
Total Capital Assets (Before W.I.P.)	12,378,889	11,257,602	1,121,287	10%
Less: Accumulated Depreciation/Amortization	(6,652,289)	(6,444,975)	(207,314)	3%
Capital Assets – Net (Before W.I.P.)	5,726,600	4,812,627	913,973	19%
Construction Work in Progress	132,791	75,130	57,661	77%
Capital Assets - Net	5,859,391	4,887,757	971,634	20%
Other Assets:				
Note Receivable - Rock Rapids Development Corporation	0	43,000	(43,000)	(100%)
Note Receivable - Rock Rapids Kids Club	0	102,648	(102,648)	(100%)
Total Other Assets	0	145,648	(145,648)	(100%)
Total Assets	8,285,201	7,879,031	406,170	5%

See Accompanying Independent Auditor's Report.

Schedule 1 (Continued)

	June 30,		Amount of Change	Percentage of Change
	2021	2020		
<u>Deferred Outflows of Resources</u>				
Pension Related Deferred Outflows	53,168	51,676	1,492	3%
<u>Liabilities</u>				
Current Liabilities				
(Payable From Current Assets):				
Accounts Payable	72,012	22,230	49,782	224%
Due To Other Governments	4,413	7,661	(3,248)	(42%)
Accrued Vacation/Comp Time Pay	27,798	27,022	776	3%
Accrued Payroll & Payroll Liabilities	4,324	3,443	881	26%
Advances from Customers	253	367	(114)	(31%)
Total Current Liabilities	108,800	60,723	48,077	79%
(Payable From Current Assets)				
Liabilities Payable From Restricted Cash:				
Customer Deposits	20,313	26,328	(6,015)	(23%)
Long-Term Liabilities:				
Accrued Sick Leave Pay	4,254	4,130	124	3%
Net Pension Liability	230,671	202,386	28,285	14%
Total Long-Term Liabilities	234,925	206,516	28,409	14%
Total Liabilities	364,038	293,567	70,471	24%
<u>Deferred Inflows of Resources</u>				
Unavailable Revenues:				
Pension Related Deferred Inflows	16,835	35,663	(18,828)	(53%)
<u>Net Position</u>				
Net Investment in Capital Assets	5,859,391	4,887,757	971,634	20%
Unrestricted	2,098,105	2,713,720	(615,615)	(23%)
Total Net Position	\$ 7,957,496	7,601,477	356,019	5%

ROCK RAPIDS MUNICIPAL UTILITIES

Schedule 2 – Electric Utility Fund – Comparative Statements of Net Position

	June 30,		Amount of Change	Percentage of Change
	2021	2019		
Assets				
Current Assets:				
Cash	\$ 443,987	181,197	262,790	145%
Certificates of Deposit (Cash Equivalent)	175,000	0	175,000	N/A
Certificates of Deposit (Non-Cash Equivalent)	1,325,000	1,700,000	(375,000)	(22%)
Accounts Receivable	129,430	209,797	(80,367)	(38%)
Due From Other Governments (Related Party)	3,924	4,100	(176)	(4%)
Due From Other Governments	29,258	6,119	23,139	378%
Interest Receivable	2,222	13,099	(10,877)	(83%)
Flex Spending Plan Receivable	2,288	554	1,734	313%
Note Receivable - Rock Rapids Development Corporation	0	2,000	(2,000)	(100%)
Note Receivable - Rock Rapids Kids Club	64,923	68,050	(3,127)	(5%)
Inventories	203,325	169,177	34,148	20%
Prepaid Expenses	26,140	26,177	(37)	(0%)
Total Current Assets	2,405,497	2,380,270	25,227	1%
Restricted Cash:				
Customer Deposits	20,313	23,279	(2,966)	(13%)
Capital Assets - Net:				
Land	137,430	46,913	90,517	193%
Utility Plant	11,820,342	10,678,717	1,141,625	11%
Transportation Equipment	208,220	195,740	12,480	6%
Office Equipment	38,402	30,481	7,921	26%
Tools and Safety Devices	159,266	159,266	0	0%
Communication Equipment	3,239	3,239	0	0%
Intangibles	11,990	11,990	0	0%
Total Capital Assets (Before W.I.P.)	12,378,889	11,126,346	1,252,543	11%
Less: Accumulated Depreciation/Amortization	(6,652,289)	(6,224,300)	(427,989)	7%
Capital Assets – Net (Before W.I.P.)	5,726,600	4,902,046	824,554	17%
Construction Work in Progress	132,791	46,224	86,567	187%
Capital Assets – Net	5,859,391	4,948,270	911,121	18%
Other Assets:				
Note Receivable - Rock Rapids Development Corporation	0	44,000	(44,000)	(100%)
Note Receivable - Rock Rapids Kids Club	0	174,167	(174,167)	(100%)
Total Other Assets	0	218,167	(218,167)	(100%)
Total Assets	8,285,201	7,569,986	715,215	9%

See Accompanying Independent Auditor's Report.

Schedule 2 (Continued)

	June 30,		Amount of Change	Percentage of Change
	2021	2019		
<u>Deferred Outflows of Resources</u>				
Pension Related Deferred Outflows	53,168	62,300	(9,132)	(15%)
<u>Liabilities</u>				
Current Liabilities				
(Payable From Current Assets):				
Accounts Payable	72,012	32,304	39,708	123%
Due To Other Government (Related Party)	0	250	(250)	(100%)
Due To Other Governments	4,413	4,623	(210)	(5%)
Accrued Vacation/Comp Time Pay	27,798	23,148	4,650	20%
Accrued Payroll & Payroll Liabilities	4,324	1,918	2,406	125%
Advances from Customers	253	326	(73)	(22%)
Total Current Liabilities	108,800	62,569	46,231	74%
(Payable From Current Assets)				
Liabilities Payable From Restricted Cash:				
Customer Deposits	20,313	23,279	(2,966)	(13%)
Long-Term Liabilities:				
Accrued Sick Leave Pay	4,254	8,250	(3,996)	(48%)
Net Pension Liability	230,671	216,702	13,969	6%
Total Long-Term Liabilities	234,925	224,952	9,973	4%
Total Liabilities	364,038	310,800	53,238	17%
<u>Deferred Inflows of Resources</u>				
Unavailable Revenues:				
Pension Related Deferred Inflows	16,835	18,768	(1,933)	(10%)
<u>Net Position</u>				
Net Investment in Capital Assets	5,859,391	4,948,270	911,121	18%
Unrestricted	2,098,105	2,354,448	(256,343)	(11%)
Total Net Position	\$ 7,957,496	7,302,718	654,778	9%

ROCK RAPIDS MUNICIPAL UTILITIES

Schedule 3 – Electric Utility Fund – Comparative Statements of Revenues, Expenses and Changes in Fund Net Position

	For the Fiscal Year Ended June 30,		Amount of Change	Percentage of Change
	2021	2020		
Operating Revenues:				
Residential Sales	\$ 1,147,392	\$ 1,122,017	25,375	2%
Commercial Sales	1,182,576	1,200,357	(17,781)	(1%)
Public Street and Highway Lighting	15,406	14,665	741	5%
Wind Power – Residential	0	144	(144)	(100%)
Material and Service Sales	89,178	86,111	3,067	4%
Service Income	3,754	18,078	(14,324)	(79%)
Service Income (Related Party)	5,562	4,132	1,430	35%
Total Operating Revenues	2,443,868	2,445,504	(1,636)	(0%)
Operating Expenses:				
Production/Processing Expense	1,337,842	1,269,201	68,641	5%
Distribution Expense	307,625	274,913	32,712	12%
Accounting and Collecting	32,848	33,353	(505)	(2%)
Administrative and General	232,099	226,311	5,788	3%
Transportation	7,944	4,946	2,998	61%
Depreciation/Amortization	227,675	220,675	7,000	3%
Payroll Taxes/IPERS	51,256	55,075	(3,819)	(7%)
Total Operating Expenses	2,197,289	2,084,474	112,815	5%
Operating Income	246,579	361,030	(114,451)	(32%)
Non-Operating Revenues (Expenses):				
Gain on Disposal of Capital Asset	4,000	0	4,000	N/A
Rentals (Related Party)	5,000	5,000	0	0%
Customer Penalties/Credit Card Fees	3,276	3,319	(43)	(1%)
Interest Income	20,575	47,615	(27,040)	(57%)
Free Community Service (Related Party)	(95,245)	(97,373)	2,128	(2%)
Free Community Service	(28,147)	(20,676)	(7,471)	36%
Interest Expense	(202)	(156)	(46)	29%
Net Non-Operating Expenses	(90,743)	(62,271)	(28,472)	46%
Change in Net Position Before Special and Extraordinary Items	155,836	298,759	(142,923)	(48%)
Special Item:				
Iowa VWSEMT Program	11,576	0	11,576	N/A
Extraordinary Item:				
FERC Settlement - Transmission Refund	188,607	0	188,607	N/A
Change in Net Position After Special and Extraordinary Items	356,019	298,759	57,260	19%
Net Position Beginning of Year	7,601,477	7,302,718	298,759	4%
Net Position End of Year	\$ 7,957,496	7,601,477	356,019	5%

See Accompanying Independent Auditor's Report.

ROCK RAPIDS MUNICIPAL UTILITIES
Schedule 4 – Electric Utility Fund – Comparative Statements of Revenues,
Expenses and Changes in Fund Net Position

	For the Fiscal Year Ended June 30,		Amount of Change	Percentage of Change
	2021	2019		
Operating Revenues:				
Residential Sales	\$ 1,147,392	1,196,456	(49,064)	(4%)
Commercial Sales	1,182,576	1,249,139	(66,563)	(5%)
Public Street and Highway Lighting	15,406	14,375	1,031	7%
Wind Power – Residential	0	288	(288)	(100%)
Material and Service Sales	89,178	65,727	23,451	36%
Service Income	3,754	5,708	(1,954)	(34%)
Service Income (Related Party)	5,562	3,787	1,775	47%
Total Operating Revenues	2,443,868	2,535,480	(91,612)	(4%)
Operating Expenses:				
Production/Processing Expense	1,337,842	1,395,004	(57,162)	(4%)
Distribution Expense	307,625	218,044	89,581	41%
Accounting and Collecting	32,848	30,416	2,432	8%
Administrative and General	232,099	217,611	14,488	7%
Transportation	7,944	7,835	109	1%
Depreciation/Amortization	227,675	213,995	13,680	6%
Payroll Taxes/IPERS	51,256	44,352	6,904	16%
Total Operating Expenses	2,197,289	2,127,257	70,032	3%
Operating Income	246,579	408,223	(161,644)	(40%)
Non-Operating Revenues (Expenses):				
Gain on Disposal of Capital Asset	4,000	0	4,000	N/A
Rentals (Related Party)	5,000	5,000	0	0%
Customer Penalties/Credit Card Fees	3,276	2,879	397	14%
Interest Income	20,575	38,464	(17,889)	(47%)
Free Community Service (Related Party)	(95,245)	(101,993)	6,748	(7%)
Free Community Service	(28,147)	(145,732)	117,585	(81%)
Interest Expense	(202)	(191)	(11)	6%
Net Non-Operating Expenses	(90,743)	(201,573)	110,830	(55%)
Change in Net Position Before Other Financing Use, Special Item and Extraordinary Item	155,836	206,650	(50,814)	(25%)
Other Financing Use:				
Transfer Out - Revolving Loan Fund	0	(60,000)	60,000	(100%)
Special Item:				
Iowa VWSEMT Program	11,576	0	11,576	N/A
Extraordinary Item:				
FERC Settlement - Transmission Refund	188,607	0	188,607	N/A
Change in Net Position After Other Financing Use, Special Item and Extraordinary Item	356,019	146,650	209,369	143%
Net Position Beginning of Year	7,601,477	7,156,068	445,409	6%
Net Position End of Year	\$ 7,957,496	7,302,718	654,778	9%

See Accompanying Independent Auditor's Report.

ROCK RAPIDS MUNICIPAL UTILITIES

Schedule 5 – Water Utility Fund – Comparative Statements of Net Position

	<u>June 30,</u>		Amount of Change	Percentage of Change
	2021	2020		
<u>Assets</u>				
Current Assets:				
Cash	\$ 230,927	86,464	144,463	167%
Accounts Receivable	79,492	75,596	3,896	5%
Due From Other Government (Related Party)	1,366	166	1,200	723%
Due From Other Governments	23,571	763	22,808	2989%
Inventories	58,052	56,927	1,125	2%
Prepaid Expenses	18,737	17,485	1,252	7%
Total Current Assets	412,145	237,401	174,744	74%
Restricted Cash:				
Customer Deposits	7,210	6,910	300	4%
Capital Assets - Net:				
Land	118,311	118,311	0	0%
Utility Plant	8,374,523	8,189,367	185,156	2%
Transportation Equipment	61,160	61,160	0	0%
Office Equipment	9,332	9,332	0	0%
Tools and Safety Devices	42,101	42,101	0	0%
Meter Testing Equipment	5,668	5,668	0	0%
Intangibles	1,099,729	1,099,729	0	0%
Total Capital Assets (Before W.I.P.)	9,710,824	9,525,668	185,156	2%
Less: Accumulated Depreciation/Amortization	(3,841,421)	(3,632,302)	(209,119)	6%
Capital Assets - Net (Before W.I.P.)	5,869,403	5,893,366	(23,963)	(0%)
Construction Work in Progress	318,467	107,166	211,301	197%
Capital Assets - Net	6,187,870	6,000,532	187,338	3%
Total Assets	6,607,225	6,244,843	362,382	6%
<u>Deferred Outflows of Resources</u>				
Pension Related Deferred Outflows	26,584	25,838	746	3%

See Accompanying Independent Auditor's Report.

Schedule 5 (Continued)

	June 30,		Amount of Change	Percentage of Change
	2021	2020		
<u>Liabilities</u>				
Current Liabilities				
(Payable From Current Assets):				
Accounts Payable	43,144	38,227	4,917	13%
Due To Gas Utility Fund	191,382	169,206	22,176	13%
Due To Other Governments	2,270	2,188	82	4%
Construction Contracts Payable	0	100,817	(100,817)	(100%)
Accrued Vacation/Comp Time Pay	15,177	14,924	253	2%
Accrued Payroll & Payroll Liabilities	2,379	1,897	482	25%
Total Current Liabilities	254,352	327,259	(72,907)	(22%)
(Payable From Current Assets)				
Liabilities Payable From Restricted Cash:				
Customer Deposits	7,210	6,910	300	4%
Long-Term Liabilities:				
Accrued Sick Leave Pay	7,824	9,568	(1,744)	(18%)
Advances From Gas Utility Fund	1,946,240	1,628,899	317,341	19%
Net Pension Liability	115,336	101,193	14,143	14%
Total Long-Term Liabilities	2,069,400	1,739,660	329,740	19%
Total Liabilities	2,330,962	2,073,829	257,133	12%
<u>Deferred Inflows of Resources</u>				
Unavailable Revenues:				
Pension Related Deferred Inflows	8,417	17,831	(9,414)	(53%)
<u>Net Position</u>				
Net Investment in Capital Assets	4,058,970	4,212,809	(153,839)	(4%)
Unrestricted	235,460	(33,788)	269,248	(797%)
Total Net Position	\$ 4,294,430	4,179,021	115,409	3%

ROCK RAPIDS MUNICIPAL UTILITIES

Schedule 6 – Water Utility Fund – Comparative Statements of Net Position

	June 30,		Amount of Change	Percentage of Change
	2021	2019		
<u>Assets</u>				
Current Assets:				
Cash	\$ 230,927	46,425	184,502	397%
Accounts Receivable	79,492	77,268	2,224	3%
Due From Other Government (Related Party)	1,366	1,017	349	34%
Due From Other Governments	23,571	626	22,945	3665%
Inventories	58,052	54,950	3,102	6%
Prepaid Expenses	18,737	17,683	1,054	6%
Total Current Assets	412,145	197,969	214,176	108%
Restricted Cash:				
Customer Deposits	7,210	6,705	505	8%
Capital Assets - Net:				
Land	118,311	118,311	0	0%
Utility Plant	8,374,523	7,540,689	833,834	11%
Transportation Equipment	61,160	61,160	0	0%
Office Equipment	9,332	8,169	1,163	14%
Tools and Safety Devices	42,101	42,101	0	0%
Meter Testing Equipment	5,668	5,668	0	0%
Intangibles	1,099,729	1,099,729	0	0%
Total Capital Assets (Before W.I.P.)	9,710,824	8,875,827	834,997	9%
Less: Accumulated Depreciation/Amortization	(3,841,421)	(3,437,962)	(403,459)	12%
Capital Assets - Net (Before W.I.P.)	5,869,403	5,437,865	431,538	8%
Construction Work in Progress	318,467	639,447	(320,980)	(50%)
Capital Assets - Net	6,187,870	6,077,312	110,558	2%
Total Assets	6,607,225	6,281,986	325,239	5%
<u>Deferred Outflows of Resources</u>				
Pension Related Deferred Outflows	26,584	31,150	(4,566)	(15%)

See Accompanying Independent Auditor's Report.

Schedule 6 (Continued)

	June 30,		Amount of Change	Percentage of Change
	2021	2019		
<u>Liabilities</u>				
Current Liabilities				
(Payable From Current Assets):				
Accounts Payable	43,144	21,750	21,394	98%
Due To Gas Utility Fund	191,382	164,455	26,927	16%
Due To Other Governments	2,270	1,833	437	24%
Construction Contracts Payable	0	10,508	(10,508)	(100%)
Accrued Vacation/Comp Time Pay	15,177	13,295	1,882	14%
Accrued Payroll & Payroll Liabilities	2,379	888	1,491	168%
Total Current Liabilities	254,352	212,729	41,623	20%
(Payable From Current Assets)				
Liabilities Payable From Restricted Cash:				
Customer Deposits	7,210	6,705	505	8%
Long-Term Liabilities:				
Accrued Sick Leave Pay	7,824	10,049	(2,225)	(22%)
Advances From Gas Utility Fund	1,946,240	1,787,723	158,517	9%
Net Pension Liability	115,336	108,351	6,985	6%
Total Long-Term Liabilities	2,069,400	1,906,123	163,277	9%
Total Liabilities	2,330,962	2,125,557	205,405	10%
<u>Deferred Inflows of Resources</u>				
Unavailable Revenues:				
Pension Related Deferred Inflows	8,417	9,384	(967)	(10%)
<u>Net Position</u>				
Net Investment in Capital Assets	4,058,970	4,136,905	(77,935)	(2%)
Unrestricted	235,460	41,290	194,170	470%
Total Net Position	\$ 4,294,430	4,178,195	116,235	3%

ROCK RAPIDS MUNICIPAL UTILITIES

Schedule 7 – Water Utility Fund – Comparative Statements of Revenues, Expenses and Changes in Fund Net Position

	For the Fiscal Year Ended June 30,		Amount of Change	Percentage of Change
	2021	2020		
Operating Revenues:				
Water Sales – Metered	\$ 423,877	366,669	57,208	16%
Water Sales – Rural Water System	496,817	464,355	32,462	7%
Water Sales – Tank Loads	538	1,592	(1,054)	(66%)
Material and Service Sales	2,905	3,187	(282)	(9%)
Service Income	1,628	1,096	532	49%
Service Income (Related Party)	3,178	2,361	817	35%
Total Operating Revenues	928,943	839,260	89,683	11%
Operating Expenses:				
Production/Processing Expense	291,486	284,476	7,010	2%
Distribution Expense	93,552	131,391	(37,839)	(29%)
Accounting and Collecting	16,632	17,841	(1,209)	(7%)
Administrative and General	137,722	112,726	24,996	22%
Transportation	1,175	1,338	(163)	(12%)
Depreciation/Amortization	209,119	194,340	14,779	8%
Payroll Taxes/IPERS	26,718	29,345	(2,627)	(9%)
Total Operating Expenses	776,404	771,457	4,947	1%
Operating Income	152,539	67,803	84,736	125%
Non-Operating Revenues (Expenses):				
Rentals	7,220	2,720	4,500	165%
Customer Penalties	260	298	(38)	(13%)
Interest Expense (Gas Fund)	(66,584)	(69,995)	3,411	(5%)
Net Non-Operating Expenses	(59,104)	(66,977)	7,873	(12%)
Change in Net Position Before Special Item	93,435	826	92,609	11212%
Special Item:				
Hazard Mitigation Grant	21,974	0	21,974	N/A
Change in Net Position After Special Item	115,409	826	114,583	13872%
Net Position Beginning of Year	4,179,021	4,178,195	826	0%
Net Position End of Year	\$ 4,294,430	4,179,021	115,409	3%

See Accompanying Independent Auditor's Report.

ROCK RAPIDS MUNICIPAL UTILITIES
Schedule 8 – Water Utility Fund – Comparative Statements of Revenues,
Expenses and Changes in Fund Net Position

	For the Fiscal Year Ended June 30,		Amount of	Percentage
	2021	2019	Change	of Change
Operating Revenues:				
Water Sales – Metered	\$ 423,877	387,197	36,680	9%
Water Sales – Rural Water System	496,817	508,708	(11,891)	(2%)
Water Sales – Tank Loads	538	950	(412)	(43%)
Material and Service Sales	2,905	0	2,905	N/A
Service Income	1,628	68	1,560	2294%
Service Income (Related Party)	3,178	2,164	1,014	47%
Total Operating Revenues	928,943	899,087	29,856	3%
Operating Expenses:				
Production/Processing Expense	291,486	291,729	(243)	(0%)
Distribution Expense	93,552	109,425	(15,873)	(15%)
Accounting and Collecting	16,632	16,257	375	2%
Administrative and General	137,722	120,759	16,963	14%
Transportation	1,175	1,741	(566)	(33%)
Depreciation/Amortization	209,119	188,612	20,507	11%
Payroll Taxes/IPERS	26,718	25,840	878	3%
Total Operating Expenses	776,404	754,363	22,041	3%
Operating Income	152,539	144,724	7,815	5%
Non-Operating Revenues (Expenses):				
Gain on Disposal of Capital Assets	0	2,720	(2,720)	(100%)
Rentals	7,220	332	6,888	2075%
Customer Penalties	260	871	(611)	(70%)
Interest Expense (Gas Fund)	(66,584)	(74,813)	8,229	(11%)
Net Non-Operating Expenses	(59,104)	(70,890)	11,786	(17%)
Change in Net Position Before Special Item	93,435	73,834	19,601	27%
Special Item:				
Hazard Mitigation Grant	21,974	0	21,974	N/A
Change in Net Position After Special Item	115,409	73,834	41,575	56%
Net Position Beginning of Year	4,179,021	4,104,361	74,660	2%
Net Position End of Year	\$ 4,294,430	4,178,195	116,235	3%

See Accompanying Independent Auditor's Report.

ROCK RAPIDS MUNICIPAL UTILITIES

Schedule 9 – Sewer Utility Fund – Comparative Statements of Net Position

	<u>June 30,</u>		Amount of Change	Percentage of Change
	2021	2020		
<u>Assets</u>				
Current Assets:				
Cash	\$ 153,905	145,397	8,508	6%
Accounts Receivable	29,477	28,141	1,336	5%
Due From Other Government (Related Party)	1,092	165	927	562%
Due From Other Governments	935	17,876	(16,941)	(95%)
Prepaid Expenses	14,973	12,672	2,301	18%
Total Current Assets	200,382	204,251	(3,869)	(2%)
Restricted Cash:				
Depreciation Reserves	11,239	21,083	(9,844)	(47%)
Capital Assets - Net:				
Utility Plant	3,695,345	3,548,116	147,229	4%
Transportation Equipment	43,724	43,724	0	0%
Office Equipment	5,656	5,656	0	0%
Tools and Safety Devices	7,177	7,177	0	0%
Intangibles	3,355	3,355	0	0%
Total Capital Assets (Before W.I.P.)	3,755,257	3,608,028	147,229	4%
Less: Accumulated Depreciation/Amortization	(1,935,309)	(1,868,767)	(66,542)	4%
Capital Assets - Net (Before W.I.P.)	1,819,948	1,739,261	80,687	5%
Construction Work in Progress	0	147,229	(147,229)	(100%)
Capital Assets - Net	1,819,948	1,886,490	(66,542)	(4%)
Total Assets	2,031,569	2,111,824	(80,255)	(4%)
<u>Deferred Outflows of Resources</u>				
Pension Related Deferred Outflows	19,939	19,379	560	3%

See Accompanying Independent Auditor's Report.

Schedule 9 (Continued)

	June 30,		Amount of Change	Percentage of Change
	2021	2020		
<u>Liabilities</u>				
Current Liabilities				
(Payable From Current Assets):				
Accounts Payable	9,048	20,803	(11,755)	(57%)
Due to Gas Utility Fund	22,883	122,453	(99,570)	(81%)
Due To Other Governments	346	733	(387)	(53%)
Accrued Vacation/Comp Time Pay	5,804	4,809	995	21%
Accrued Payroll & Payroll Liabilities	1,649	1,361	288	21%
Total Current Liabilities	39,730	150,159	(110,429)	(74%)
(Payable From Current Assets)				
Long-Term Liabilities:				
Accrued Sick Leave Pay	1,215	1,180	35	3%
Advances from Gas Utility Fund	97,883	120,544	(22,661)	(19%)
Net Pension Liability	86,501	75,894	10,607	14%
Total Long-Term Liabilities	185,599	197,618	(12,019)	(6%)
Total Liabilities	225,329	347,777	(122,448)	(35%)
<u>Deferred Inflows of Resources</u>				
Unavailable Revenues:				
Pension Related Deferred Inflows	6,313	13,374	(7,061)	(53%)
<u>Net Position</u>				
Net Investment in Capital Assets	1,699,403	1,743,776	(44,373)	(3%)
Restricted for:				
Depreciation Reserves	11,239	21,083	(9,844)	(47%)
Unrestricted	109,224	5,193	104,031	2003%
Total Net Position	\$ 1,819,866	1,770,052	49,814	3%

ROCK RAPIDS MUNICIPAL UTILITIES

Schedule 10 – Sewer Utility Fund – Comparative Statements of Net Position

	June 30,		Amount of Change	Percentage of Change
	2021	2019		
<u>Assets</u>				
Current Assets:				
Cash	\$ 153,905	186,245	(32,340)	(17%)
Accounts Receivable	29,477	26,530	2,947	11%
Due From Other Government (Related Party)	1,092	650	442	68%
Due From Other Governments	935	534	401	75%
Prepaid Expenses	14,973	13,160	1,813	14%
Total Current Assets	200,382	227,119	(26,737)	(12%)
Restricted Cash:				
Depreciation Reserves	11,239	38,320	(27,081)	(71%)
Capital Assets - Net:				
Utility Plant	3,695,345	3,542,425	152,920	4%
Transportation Equipment	43,724	43,724	0	0%
Office Equipment	5,656	5,075	581	11%
Tools and Safety Devices	7,177	7,177	0	0%
Intangibles	3,355	3,355	0	0%
Total Capital Assets (Before W.I.P.)	3,755,257	3,601,756	153,501	4%
Less: Accumulated Depreciation/Amortization	(1,935,309)	(1,796,101)	(139,208)	8%
Capital Assets - Net (Before W.I.P.)	1,819,948	1,805,655	14,293	1%
Construction Work in Progress	0	168	(168)	(100%)
Capital Assets - Net	1,819,948	1,805,823	14,125	1%
Total Assets	2,031,569	2,071,262	(39,693)	(2%)
<u>Deferred Outflows of Resources</u>				
Pension Related Deferred Outflows	19,939	23,363	(3,424)	(15%)

See Accompanying Independent Auditor's Report.

Schedule 10 (Continued)

	June 30,		Amount of Change	Percentage of Change
	2021	2019		
<u>Liabilities</u>				
Current Liabilities				
(Payable From Current Assets):				
Accounts Payable	9,048	2,421	6,627	274%
Due to Gas Utility Fund	22,883	21,989	894	4%
Due To Other Governments	346	363	(17)	(5%)
Accrued Vacation/Comp Time Pay	5,804	8,425	(2,621)	(31%)
Accrued Payroll & Payroll Liabilities	1,649	680	969	143%
Total Current Liabilities	39,730	33,878	5,852	17%
(Payable From Current Assets)				
Long-Term Liabilities:				
Accrued Sick Leave Pay	1,215	3,314	(2,099)	(63%)
Advances from Gas Utility Fund	97,883	142,714	(44,831)	(31%)
Net Pension Liability	86,501	81,263	5,238	6%
Total Long-Term Liabilities	185,599	227,291	(41,692)	(18%)
Total Liabilities	225,329	261,169	(35,840)	(14%)
<u>Deferred Inflows of Resources</u>				
Unavailable Revenues:				
Pension Related Deferred Inflows	6,313	7,038	(725)	(10%)
<u>Net Position</u>				
Net Investment in Capital Assets	1,699,403	1,641,422	57,981	4%
Restricted for:				
Depreciation Reserves	11,239	38,320	(27,081)	(71%)
Unrestricted	109,224	146,676	(37,452)	(26%)
Total Net Position	\$ 1,819,866	1,826,418	(6,552)	(0%)

ROCK RAPIDS MUNICIPAL UTILITIES

Schedule 11 – Sewer Utility Fund – Comparative Statements of Revenues, Expenses and Changes in Fund Net Position

	For the Fiscal Year Ended June 30,		Amount of	Percentage
	2021	2020	Change	of Change
Operating Revenues:				
Sewer Service	\$ 371,399	352,524	18,875	5%
Service Income (Related Party)	1,589	1,180	409	35%
Total Operating Revenues	372,988	353,704	19,284	5%
Operating Expenses:				
Processing Expense	151,543	134,300	17,243	13%
Accounting and Collecting	9,287	9,767	(480)	(5%)
Administrative and General	63,899	54,526	9,373	17%
Transportation	1,978	2,239	(261)	(12%)
Depreciation/Amortization	66,542	72,666	(6,124)	(8%)
Payroll Taxes/IPERS	18,089	18,693	(604)	(3%)
Total Operating Expenses	311,338	292,191	19,147	7%
Operating Income	61,650	61,513	137	0%
Non-Operating Revenues (Expenses):				
Customer Penalties	256	276	(20)	(7%)
Interest Income	0	1,634	(1,634)	(100%)
Free Community Service (Related Party)	(7,550)	(6,584)	(966)	15%
Interest Expense (Gas Fund)	(4,542)	(3,381)	(1,161)	34%
Net Non-Operating Expenses	(11,836)	(8,055)	(3,781)	47%
Change in Net Position Before Special Items	49,814	53,458	(3,644)	7%
Special Items:				
Hazard Mitigation Grant	0	99,127	(99,127)	(100%)
Free Community Service (Related Party)	0	(208,951)	208,951	(100%)
Total Special Items	0	(109,824)	109,824	(100%)
Change in Net Position After Special Items	49,814	(56,366)	106,180	(188%)
Net Position Beginning of Year	1,770,052	1,826,418	(56,366)	(3%)
Net Position End of Year	\$ 1,819,866	1,770,052	49,814	3%

See Accompanying Independent Auditor's Report.

ROCK RAPIDS MUNICIPAL UTILITIES
Schedule 12 – Sewer Utility Fund – Comparative Statements of Revenues,
Expenses and Changes in Fund Net Position

	For the Fiscal Year Ended June 30,		Amount of	Percentage
	2021	2019	Change	of Change
Operating Revenues:				
Sewer Service	\$ 371,399	311,224	60,175	19%
Service Income (Related Party)	1,589	1,082	507	47%
Total Operating Revenues	372,988	312,306	60,682	19%
Operating Expenses:				
Processing Expense	151,543	125,869	25,674	20%
Accounting and Collecting	9,287	8,434	853	10%
Administrative and General	63,899	73,166	(9,267)	(13%)
Transportation	1,978	4,106	(2,128)	(52%)
Depreciation/Amortization	66,542	77,554	(11,012)	(14%)
Payroll Taxes/IPERS	18,089	17,249	840	5%
Total Operating Expenses	311,338	306,378	4,960	2%
Operating Income	61,650	5,928	55,722	940%
Non-Operating Revenues (Expenses):				
Customer Penalties	256	275	(19)	(7%)
Free Community Service (Related Party)	(7,550)	(7,764)	214	(3%)
Interest Expense (Gas Fund)	(4,542)	(3,832)	(710)	19%
Net Non-Operating Expenses	(11,836)	(11,321)	(515)	5%
Change in Net Position Before Extraordinary Item	49,814	(5,393)	55,207	(1024%)
Extraordinary Item:				
FEMA Disaster Grant (Flooding)	0	20,619	(20,619)	(100%)
Change in Net Position After Extraordinary Item	49,814	15,226	34,588	227%
Net Position Beginning of Year	1,770,052	1,811,192	(41,140)	(2%)
Net Position End of Year	\$ 1,819,866	1,826,418	(6,552)	(0%)

See Accompanying Independent Auditor's Report.

ROCK RAPIDS MUNICIPAL UTILITIES

Schedule 13 – Gas Utility Fund – Comparative Statements of Net Position

	June 30,		Amount of Change	Percentage of Change
	2021	2020		
Assets				
Current Assets:				
Cash	\$ 490,468	558,126	(67,658)	(12%)
Certificates of Deposit (Cash Equivalent)	200,000	0	200,000	N/A
Certificates of Deposit (Non-Cash Equivalent)	1,625,000	2,075,000	(450,000)	(22%)
Accounts Receivable	76,514	75,742	772	1%
Due From Water and Sewer Utility Funds	214,265	291,659	(77,394)	(27%)
Due From Other Government (Related Party)	1,453	522	931	178%
Due From Other Governments	1,973	1,169	804	69%
Interest Receivable	7,080	16,026	(8,946)	(56%)
Notes Receivable - Rock Rapids Development Corporation	5,355	5,250	105	2%
Notes Receivable - Housing Development Incentive Program	49,607	20,000	29,607	148%
Inventories	46,476	53,064	(6,588)	(12%)
Prepaid Expenses	14,319	14,000	319	2%
Total Current Assets	2,732,510	3,110,558	(378,048)	(12%)
Restricted Cash:				
Customer Deposits	20,174	23,674	(3,500)	(15%)
Capital Assets - Net:				
Land	240,363	13,863	226,500	1634%
Utility Plant	1,379,110	1,325,434	53,676	4%
Transportation Equipment	131,036	131,036	0	0%
Office Equipment	17,724	17,724	0	0%
Tools and Safety Devices	121,573	121,573	0	0%
Intangibles	11,990	11,990	0	0%
Total Capital Assets (Before W.I.P.)	1,901,796	1,621,620	280,176	17%
Less: Accumulated Depreciation/Amortization	(931,418)	(875,034)	(56,384)	6%
Capital Assets – Net (Before W.I.P.)	970,378	746,586	223,792	30%
Construction Work in Progress	2,958	22,524	(19,566)	(87%)
Capital Assets - Net	973,336	769,110	204,226	27%
Other Assets:				
Advances To Water and Sewer Utility Funds	2,044,123	1,749,443	294,680	17%
Notes Receivable - Rock Rapids Development Corporation	132,803	138,158	(5,355)	(4%)
Notes Receivable - Housing Development Incentive Program	0	54,607	(54,607)	(100%)
Total Other Assets	2,176,926	1,942,208	234,718	12%
Total Assets	5,902,946	5,845,550	57,396	1%

See Accompanying Independent Auditor's Report.

Schedule 13 (Continued)

	<u>June 30,</u>		Amount of Change	Percentage of Change
	2021	2020		
<u>Deferred Outflows of Resources</u>				
Pension Related Deferred Outflows	33,231	32,298	933	3%
<u>Liabilities</u>				
Current Liabilities				
(Payable From Current Assets):				
Accounts Payable	12,026	5,597	6,429	115%
Due To Other Government (Related Party)	24,057	21,794	2,263	10%
Due To Other Governments	1,058	1,144	(86)	(8%)
Accrued Vacation/Comp Time Pay	18,564	17,818	746	4%
Accrued Compensated Absences Pay			0	N/A
Accrued Payroll & Payroll Liabilities	3,152	2,440	712	29%
Advances from Customers	22,894	48,131	(25,237)	(52%)
Total Current Liabilities	81,751	96,924	(15,173)	(16%)
(Payable From Current Assets)				
Liabilities Payable From Restricted Cash:				
Customer Deposits	20,174	23,674	(3,500)	(15%)
Long-Term Liabilities:				
Accrued Sick Leave Pay	4,254	4,130	124	3%
Net Pension Liability	144,171	126,493	17,678	14%
Total Long-Term Liabilities	148,425	130,623	17,802	14%
Total Liabilities	250,350	251,221	(871)	(0%)
<u>Deferred Inflows of Resources</u>				
Unavailable Revenues:				
Pension Related Deferred Inflows	10,521	22,289	(11,768)	(53%)
<u>Net Position</u>				
Net Investment in Capital Assets	973,336	769,110	204,226	27%
Unrestricted	4,701,970	4,835,228	(133,258)	(3%)
Total Net Position	\$ 5,675,306	5,604,338	70,968	1%

ROCK RAPIDS MUNICIPAL UTILITIES

Schedule 14 – Gas Utility Fund – Comparative Statements of Net Position

	June 30,		Amount of Change	Percentage of Change
	2021	2019		
Assets				
Current Assets:				
Cash	\$ 490,468	239,273	251,195	105%
Certificates of Deposit (Cash Equivalent)	200,000	0	200,000	N/A
Certificates of Deposit (Non-Cash Equivalent)	1,625,000	2,000,000	(375,000)	(19%)
Accounts Receivable	76,514	86,064	(9,550)	(11%)
Due From Water and Sewer Utility Funds	214,265	186,444	27,821	15%
Due From Other Government (Related Party)	1,453	715	738	103%
Due From Other Governments	1,973	927	1,046	113%
Interest Receivable	7,080	13,599	(6,519)	(48%)
Notes Receivable - Rock Rapids Development Corporation	5,355	5,250	105	2%
Notes Receivable - Housing Development Incentive Program	49,607	20,000	29,607	148%
Inventories	46,476	52,580	(6,104)	(12%)
Prepaid Expenses	14,319	14,622	(303)	(2%)
Total Current Assets	2,732,510	2,619,474	113,036	4%
Restricted Cash:				
Customer Deposits	20,174	21,361	(1,187)	(6%)
Capital Assets - Net:				
Land	240,363	13,863	226,500	1634%
Utility Plant	1,379,110	1,313,353	65,757	5%
Transportation Equipment	131,036	114,268	16,768	15%
Office Equipment	17,724	15,688	2,036	13%
Tools and Safety Devices	121,573	111,345	10,228	9%
Intangibles	11,990	11,990	0	0%
Total Capital Assets (Before W.I.P.)	1,901,796	1,580,507	321,289	20%
Less: Accumulated Depreciation/Amortization	(931,418)	(819,269)	(112,149)	14%
Capital Assets – Net (Before W.I.P.)	970,378	761,238	209,140	27%
Construction Work in Progress	2,958	0	2,958	N/A
Capital Assets - Net	973,336	761,238	212,098	28%
Other Assets:				
Advances To Water and Sewer Utility Funds	2,044,123	1,930,437	113,686	6%
Notes Receivable - Rock Rapids Development Corporation	132,803	138,158	(5,355)	(4%)
Notes Receivable - Housing Development Incentive Program	0	54,607	(54,607)	(100%)
Total Other Assets	2,176,926	2,123,202	53,724	3%
Total Assets	5,902,946	5,525,275	377,671	7%

See Accompanying Independent Auditor's Report.

Schedule 14 (Continued)

	June 30,		Amount of Change	Percentage of Change
	2021	2019		
<u>Deferred Outflows of Resources</u>				
Pension Related Deferred Outflows	33,231	38,938	(5,707)	(15%)
<u>Liabilities</u>				
Current Liabilities				
(Payable From Current Assets):				
Accounts Payable	12,026	9,986	2,040	20%
Due To Other Government (Related Party)	24,057	20,968	3,089	15%
Due To Other Governments	1,058	1,489	(431)	(29%)
Accrued Vacation/Comp Time Pay	18,564	13,942	4,622	33%
Accrued Payroll & Payroll Liabilities	3,152	1,355	1,797	133%
Advances from Customers	22,894	25,970	(3,076)	(12%)
Total Current Liabilities	81,751	73,710	8,041	11%
(Payable From Current Assets)				
Liabilities Payable From Restricted Cash:				
Customer Deposits	20,174	21,361	(1,187)	(6%)
Long-Term Liabilities:				
Accrued Sick Leave Pay	4,254	5,123	(869)	(17%)
Net Pension Liability	144,171	135,439	8,732	6%
Total Long-Term Liabilities	148,425	140,562	7,863	6%
Total Liabilities	250,350	235,633	14,717	6%
<u>Deferred Inflows of Resources</u>				
Unavailable Revenues:				
Pension Related Deferred Inflows	10,521	11,730	(1,209)	(10%)
<u>Net Position</u>				
Net Investment in Capital Assets	973,336	761,238	212,098	28%
Unrestricted	4,701,970	4,555,612	146,358	3%
Total Net Position	\$ 5,675,306	5,316,850	358,456	7%

ROCK RAPIDS MUNICIPAL UTILITIES

Schedule 15 – Gas Utility Fund – Comparative Statements of Revenues, Expenses and Changes in Fund Net Position

	For the Fiscal Year Ended June 30,		Amount of Change	Percentage of Change
	2021	2020		
Operating Revenues:				
Residential Gas Sales	\$ 782,636	636,126	146,510	23%
Commercial Gas Sales	580,638	504,317	76,321	15%
Material and Service Sales	6,630	103	6,527	6337%
Service Income	1,862	2,634	(772)	(29%)
Service Income (Related Party)	5,562	4,132	1,430	35%
Total Operating Revenues	1,377,328	1,147,312	230,016	20%
Operating Expenses:				
Production/Processing Expense	921,919	540,393	381,526	71%
Distribution Expense	136,389	111,889	24,500	22%
Accounting and Collecting	34,195	34,344	(149)	(0%)
Administrative and General	189,698	196,744	(7,046)	(4%)
Transportation	4,483	3,708	775	21%
Depreciation/Amortization	56,384	55,765	619	1%
Payroll Taxes/IPERS	39,690	41,722	(2,032)	(5%)
Total Operating Expenses	1,382,758	984,565	398,193	40%
Operating Income (Loss)	(5,430)	162,747	(168,177)	(103%)
Non-Operating Revenues (Expenses):				
Customer Penalties	1,041	891	150	17%
Interest Income	27,718	56,937	(29,219)	(51%)
Interest Income (Water, Sewer Funds)	71,126	73,376	(2,250)	(3%)
Construction Support Payment	1,656	3,677	(2,021)	(55%)
Free Community Service	(25,000)	(10,000)	(15,000)	150%
Interest Expense	(143)	(140)	(3)	2%
Net Non-Operating Revenues	76,398	124,741	(48,343)	(39%)
Change in Net Position	70,968	287,488	(216,520)	(75%)
Net Position Beginning of Year	5,604,338	5,316,850	287,488	5%
Net Position End of Year	\$ 5,675,306	5,604,338	70,968	1%

See Accompanying Independent Auditor's Report.

ROCK RAPIDS MUNICIPAL UTILITIES
Schedule 16 – Gas Utility Fund – Comparative Statements of Revenues,
Expenses and Changes in Fund Net Position

	For the Fiscal Year Ended June 30,		Amount of	Percentage
	2021	2019	Change	of Change
Operating Revenues:				
Residential Gas Sales	\$ 782,636	735,233	47,403	6%
Commercial Gas Sales	580,638	564,563	16,075	3%
Material and Service Sales	6,630	412	6,218	1509%
Service Income	1,862	211	1,651	782%
Service Income (Related Party)	5,562	3,787	1,775	47%
Total Operating Revenues	1,377,328	1,304,206	73,122	6%
Operating Expenses:				
Production/Processing Expense	921,919	745,909	176,010	24%
Distribution Expense	136,389	138,922	(2,533)	(2%)
Accounting and Collecting	34,195	31,606	2,589	8%
Administrative and General	189,698	197,451	(7,753)	(4%)
Transportation	4,483	3,533	950	27%
Depreciation/Amortization	56,384	47,387	8,997	19%
Payroll Taxes/IPERS	39,690	35,486	4,204	12%
Total Operating Expenses	1,382,758	1,200,294	182,464	15%
Operating Income (Loss)	(5,430)	103,912	(109,342)	(105%)
Non-Operating Revenues (Expenses):				
Customer Penalties	1,041	1,001	40	4%
Interest Income	27,718	43,311	(15,593)	(36%)
Interest Income (Water, Sewer Funds)	71,126	78,645	(7,519)	(10%)
Construction Support Payment	1,656	3,727	(2,071)	(56%)
Free Community Service	(25,000)	(10,393)	(14,607)	141%
Interest Expense	(143)	(225)	82	(36%)
Net Non-Operating Revenues	76,398	116,066	(39,668)	(34%)
Change in Net Position	70,968	219,978	(149,010)	(68%)
Net Position Beginning of Year	5,604,338	5,096,872	507,466	10%
Net Position End of Year	\$ 5,675,306	5,316,850	358,456	7%

See Accompanying Independent Auditor's Report.

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**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
Rock Rapids Municipal Utilities**



De Noble, Austin & Company PC

CERTIFIED PUBLIC ACCOUNTANTS



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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Members of the Rock Rapids Municipal Utilities Board of Trustees:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities and each major fund of the Rock Rapids Municipal Utilities, a Component Unit of the City of Rock Rapids, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the Utilities' basic financial statements, and have issued our report thereon dated January 25, 2022.

The opinions issued in the report on the business type activities and each major proprietary (enterprise) fund were adverse due to management not recording deferred outflows of resources related to OPEB, the total other postemployment benefits (OPEB) liability, deferred inflows of resources related to OPEB and the corresponding OPEB expense. There are also no disclosures reported on the other postemployment benefits (OPEB) obligation in the Notes to Financial Statements. U.S. generally accepted accounting principles require that deferred outflows of resources related to OPEB, the total OPEB liability and deferred inflows of resources related to OPEB be reported and the corresponding change during the fiscal year to be expensed, which would increase deferred outflows of resources, liabilities, deferred inflows of resources, and expenses and decrease net position of the business type activities and the proprietary funds. U.S. generally accepted accounting principles also require that certain information/data be disclosed in the Notes to Financial Statements in regards to the other postemployment benefits (OPEB) obligation. The amount by which this departure would affect the deferred inflows of resources, liabilities, deferred outflows of resources, net position and expenses of the business type activities and the proprietary funds and the failure to report the required OPEB disclosures is not reasonably determinable.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Rock Rapids Municipal Utilities' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rock Rapids Municipal Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of the Rock Rapids Municipal Utilities' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Rock Rapids Municipal Utilities' financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

MEMBERS

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that we have not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items A, B, C and D-2021 to be material weaknesses. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rock Rapids Municipal Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utilities. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Rock Rapids Municipal Utilities' Responses to the Findings

The Rock Rapids Municipal Utilities' responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Utilities' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Utilities' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Utilities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Rock Rapids Municipal Utilities during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

De Noble, Austin & Company PC

De Noble & Company PC
d/b/a De Noble, Austin & Company PC
Certified Public Accountants

January 25, 2022

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Schedule of Findings

Rock Rapids Municipal Utilities

ROCK RAPIDS MUNICIPAL UTILITIES

Schedule of Findings

Fiscal Year Ended June 30, 2021

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

A-2021 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal controls. A good system of internal controls provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal controls, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Utilities' financial statements.

Condition – Generally, a couple of employees have custody of assets and perform various aspects of the record-keeping and reconciling functions (including, but not limited to, billing; preparation of deposits and checks; aspects of the billing and payroll processes; posting transactions to accounting records; and reconciling the various transactions to supporting detail).

Cause – The Utilities has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Utilities' ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees; however, the Utilities should review its control and operating procedures to provide the maximum internal control possible under the circumstances utilizing Utilities and City staff, administrative personnel, and governing body members, whenever possible.

Response – We will continue to evaluate options to segregate duties to the extent possible within economic and time constraints.

Conclusion – Response acknowledged. The Utilities should segregate duties to the extent possible by utilizing city personnel, administrative personnel, and governing body members to provide additional controls over custody of assets and review of financial transactions and reporting.

B-2021 Financial Records and Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the Utilities' financial statements.

Condition – Material amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, net positions/fund balance, revenues, expenses, special and extraordinary items were not recorded properly in the Utilities' financial statements. General ledger control accounts for some assets and liabilities did not reconcile properly to the corresponding detailed subsidiary records. Also, note disclosures to the financial statements were not all-inclusive. Adjustments were subsequently made by

the Utilities to properly include these amounts in the financial statements, to make sure subsidiary detail and general ledger control accounts all reconciled properly, and verifying note disclosures to the financial statements were all-inclusive and materially accurate, except as previously noted for the omission of the financial reporting and disclosures for the total OPEB obligation.

Cause – The Utilities policies and procedures have not been established to require an independent review of the Utilities' accounting records and financial reporting in order to ensure the Utilities' financial records and reporting are all-inclusive and materially accurate.

Effect – Lack of policies and procedures resulted in Utilities employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the Utilities' accounting records and financial statements were necessary.

Recommendation – Detailed subsidiary records should be prepared for general ledger control accounts and reconciliations of these records should be prepared on a monthly basis by an independent person. The Utilities should conduct additional training and implement procedures and controls to ensure all assets, deferred outflows of resources, liabilities, deferred inflows of resources, net positions/fund balance, revenues, expenses, special and extraordinary items, and note disclosures are identified, materially accurate, and included in the Utilities' financial statements and notes. Management should be monitoring procedures and controls and reviewing the financial records/reporting on a regular basis.

Response – We will continue to develop a plan for improvements over future years.

Conclusion – Response accepted. Please continue to develop procedures and controls to improve the all-inclusiveness and accuracy of the accounting records and financial reporting.

C-2021 Control Environment

Criteria – An effective internal control environment over accounting records, financial reporting, and safeguarding assets is defined by a concerted effort of the entity's governing body, management, and other personnel to carryout existing procedures and a commitment to the continual process of developing new policies and procedures to eliminate identified areas of risk. The governing body and management set as a high priority the level of supervision and monitoring over existing internal controls, compliance, and antifraud procedures and personnel are committed to following the controls and procedures in place.

Condition – Internal control findings related to segregation of duties, financial reporting, and payroll procedures issues and a compliance finding related to questionable expenses have been reported on a recurring basis.

Cause – The Utilities' needs to establish a higher level of oversight by the governing board and management over developing internal control and compliance procedures, along with monitoring existing procedures which have been established, in order to ensure the procedures are in place and enforced. Personnel need to be properly educated on the purpose of some of the procedures and policies.

Effect – A weak control environment increases the risk of the inability of the Utilities' governing board, management, and personnel to identify or prevent errors, misstatements or fraudulent activities on a timely basis.

Recommendation – The Utilities' governing board and management need to review audit findings identified and assess the level of risk associated with each finding and incorporate this assessed level of risk into its development/enforcement of policies and procedures. Personnel need to be trained as to the purpose of established control procedures in order to develop a cohesive control environment.

Response – We will continue to work towards developing and implementing methods to satisfy this recommendation. The Board and management have installed many procedures to prevent fraud and

error by the Utilities' employees. The Board and management are continually striving to evaluate and implement policies to strengthen oversight of the organization.

Conclusion – Response accepted. Please review existing policies and procedures, along with monitoring patterns of implementation of the policies and procedures, for methods to improve internal controls and compliance issues.

D-2021 Payroll Procedures

Criteria – Properly designed and implemented policies and procedures pertaining to payroll related functions assist in providing reasonable assurance payroll related information is complete and accurate. A deficiency in internal control over financial reporting exists when the policies and procedures implemented to safeguard against error and/or fraud are not being properly executed and enforced.

Condition – We noted timecards have not been utilized since March 2020. We identified an instance when a timesheet did not have the proper indication of approval and an overtime authorization slip was not completed. There were two instances of direct deposit payroll authorization forms no longer agreeing with the payroll processing. IPERS was improperly paid on employee bonuses.

Cause – As a result of COVID-19, the Utilities discontinued the use of the time clock and has not adopted any alternate timecard procedures. The Utilities did not always enforce a policy which requires management to review and approve employee time sheets and overtime authorization slips before payroll is processed. Procedures have not been established to ensure direct deposit payroll authorization forms match the actual payroll processing. There was a payroll processing error which calculated IPERS on bonuses.

Effect – A lack of and failure to follow policies and procedures, including not maintaining current payroll authorization forms for all withholdings and direct deposit information, resulted in Utilities employees receiving benefits without the indication of proper approval and IPERS being improperly calculated on bonuses and, therefore, increased the probability of other payroll errors or fraudulent behaviors going undetected. The decision to not require policies in place to always be followed adversely effects the entire control environment.

Recommendation – The Utilities should consider alternate methods of tracking employees time if the concern of COVID-19 is preventing the use of the time clock. Timesheets and overtime authorization slips should be reviewed and approved by an employee's supervisor or another independent person before the employee is issued payment for the payroll period. Formal proof of the review and approval of all timesheets and overtime authorization slips should be established by having the reviewer sign or initial each timesheet and overtime authorization slip. The payroll department needs to develop procedures to ensure all payroll authorization forms agree with the actual payroll processing and IPERS is not being paid on bonuses.

Response – We will consider alternatives to the use of time cards. We will evaluate methods for improving the review and verification of time sheets and overtime. We will ensure payroll authorization forms are current and accurate. We will make sure IPERS is no longer being calculated on bonuses.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

ROCK RAPIDS MUNICIPAL UTILITIES

Schedule of Findings

Fiscal Year Ended June 30, 2021

Other Findings Related to Required Statutory Reporting:

2021-1 Certified Budget – The Rock Rapids Municipal Utilities is budgeted as a part of the City of Rock Rapids. Disbursements, included in the City’s budget, for the year ended June 30, 2021 did not exceed the amount budgeted in the business-type/enterprise activities function.

2021-2 Questionable Expenses – In accordance with Article III, Section 31, of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain expenses were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented or the necessary documentation to support the expense was not present.

We noted the only support for a few credit card charges was a copy of a credit card slip and no detailed receipt/supporting documentation. We noted a charge for a hotel stay which is located an hour from Rock Rapids. We noted several expenses paid for advertising in the local newspaper related to the Central Lyon school.

According to the opinion, it is possible for such expenses to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – All disbursements should be supported by an actual receipt/invoice that details exactly what was purchased. The support needs to be retained by the Utilities. The purpose and benefit of paying for a hotel stay which is only an hour away and advertising in the local newspaper related to the Central Lyon school needs to be documented in writing.

Response – We will evaluate our procedures in order to ensure detailed support is maintained on credit card charges. We will document the benefits derived for the aforementioned hotel stay and advertising in the future.

Conclusion – Response accepted.

2021-3 Travel Expense – No expenses of Utilities’ money for travel expenses of spouses of Utilities’ officials or employees were noted.

2021-4 Business Transactions – No business transactions between the Utilities and Utilities’ officials, employees or family members of officials/employees were noted.

2021-5 Restricted Donor Activity – No transactions were noted between the Utilities, Utilities’ officials, Utilities’ employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

2021-6 Bond Coverage - Surety bond coverage of Utilities officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

2021-7 Board Minutes – We noted one instance where the Board minutes were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. We identified one disbursement which was not properly documented as approved in the Board minutes.

Recommendation – The Utilities should implement procedures to ensure the Board minutes are being published timely and all disbursements are listed as approved in the Board minutes.

Response – We will review our procedures to make sure Board minutes are published timely and all disbursements are approved in the Board minutes.

Conclusion – Response accepted.

2021-8 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and Utilities’ investment policy were noted.

2021-9 Revenue Bonds/Notes – The Utilities did not have any revenue bonds or notes payable during the fiscal year ended June 30, 2021.

2021-10 Donations – During the year ended June 30, 2021, the Utilities donated \$9,200 to various local non-profit organization.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 of the Constitution of the State of Iowa states, “...no public money or property shall be appropriated for local or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly.”

At least six official Iowa Attorney General Opinions since 1972 have consistently concluded that “a governmental body may not donate public funds to a private entity, even if the entity is established for charitable educational purposes and performs work which the government could perform directly. The Opinions further state, “Even if the function of a private non-profit corporation fits within the scope of activities generally recognized as serving a public purpose, a critical question exists regarding whether funds or property transferred to a private entity will indeed be used for those public purposes.”

Political subdivisions and municipalities, including cities/utilities, counties, schools and townships are municipal – governmental – entities. As governmental entities they are governed by elected bodies, are directly responsible to the public as a whole, and are subject to the limitations imposed on them by the state. Although a private organization may be formed to provide and support ‘public’ services which are the same or similar to the services provided by government, the private organizations are not subjected to the same degree of public accountability and oversight as governmental entities.”

Recommendation – We are not aware of any statutory authority for the Utilities to donate public funds to private non-profit organizations. The Utilities should immediately cease making future such donations.

Response – We are in the process of consulting with our legal counsel to ensure this issue will be complied with in the future.

Conclusion - Response accepted.

2021-11 Construction Contract Bid Procedures – We noted an instance where a publication of a bid letter was not within the required thirteen to forty-five days before the filing date as stated in Chapters 26.3 through 26.13 of the Code of Iowa.

Recommendation – The Utilities should implement procedures to ensure all bid letting procedures are timely conducted in accordance with Chapters 26.3 through 26.13 of the Code of Iowa.

Response – We will develop procedures to make sure construction contract bid requirements are enforced.

Conclusion – Response accepted.

ROCK RAPIDS MUNICIPAL UTILITIES

Staff

This Audit was Performed By:

David De Noble, CPA, Senior Auditor
Carmen Austin, CPA, Senior Auditor
Kayla Reck, Assistant Auditor

De Noble & Company PC
d/b/a De Noble, Austin & Company PC
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